TRANSCRIPT OF RECORD.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, [redacted]. 1914

No. [redacted] 216

GEORGE G. HENRY, APPELLANT,

vs.

WILLIAM HENKEL, UNITED STATES MARSHAL FOR THE SOUTHERN DISTRICT OF NEW YORK.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK.

FILED JULY 21, 1913.

(23,790)

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JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., DECEMBER 19, 1913.

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1 In the District Court of the United States for the Southern District of New York.

George G. Henry, Petitioner,
vs.
William Henkel, United States Marshal for the Southern District of New York.

In the Matter of George G. Henry for a Writ of Habeas Corpus.

To the District Court of the United States for the Southern District of New York, in the Second Judicial Circuit:

The petition of the above named George G. Henry respectfully shows:

I. That your petitioner is a citizen of the United States, a citizen and inhabitant of the State of New Jersey, and a member of the firm of William Salomon and Company, private bankers doing business in the Borough of Manhattan of the City of New York, in this Circuit and district.

II. That your petitioner is now actually imprisoned and restrained of his liberty, and detained by color of the authority of the United States, in the custody of William Henkel, Esquire, United States Marshal in and for the Southern District of New York, to-wit, at the Borough of Manhattan in said district.

III. That the sole claim or authority by virtue of which the said William Henkel, Marshal as aforesaid, so restrains and detains
2 your petitioner is a certain commitment in writing, a copy of which is hereto annexed, marked "A"; and that your petitioner is not detained by virtue of any judgment, decree or final order of any court.

IV. That on the 14th day of February, 1913, at the Borough and District aforesaid, a complaint in writing, purporting to be signed and sworn to by John E. Walker, an assistant United States Attorney for the said District, a copy of which is hereto annexed marked "B", was presented to John A. Shields, Esquire, United States Commissioner for the said District, and that annexed to the said complaint and making a part thereof were an exemplified copy of an indictment returned against your petitioner by the Grand Jury for the United States for the District of Columbia in the Supreme Court for that District on the 10th day of February, 1913, and a bench warrant issued thereon, copies of which are hereto annexed marked "C" and "D", respectively.

V. That thereafter, and on the said 14th day of February, 1913, a warrant for your petitioner's arrest was issued by the said John A. Shields, Esquire, Commissioner as aforesaid, upon the aforesaid complaint, and the papers thereto annexed, as above set forth, and upon no other papers or evidence, which said warrant was placed for execution in the hands of the said William Henkel, Marshal as afore-

said, who, on the same day, in obedience thereto, arrested your petitioner and brought him before the said John A. Shields, Esquire, Commissioner as aforesaid, and made return of the said warrant, endorsed thereon, and that a copy of the said warrant, together with the said endorsement, is hereto annexed, marked "E"; that
3 thereupon your petition- applied to the said John A. Shields, Esquire, Commissioner as aforesaid, for an examination of the said complaint and into the cause of his restraint, which was accorded him, and that such examination was begun before the said John A. Shields, Esquire, Commissioner as aforesaid, on the 27th day of February, 1913, and was concluded on the 7th day of March, 1913, your petitioner being meanwhile admitted to bail to appear upon and abide by the result of such examination.

VI. That upon the said examination, and before the introduction of any evidence, counsel for your petitioner moved for a dismissal of the complaint and for your petitioner's discharge on the ground that the said commissioner was without jurisdiction to proceed in the premises, it appearing on the face of the complaint that your petitioner was not thereby charged with any crime or offense against the United States; and that this motion was denied.

VII. That thereupon the United States attorney introduced in evidence the exemplified copy of the indictment above mentioned, and the said bench warrant; that your petitioner conceded that he was the person therein named and described as George G. Henry; and that the Government offered no other or further proof before the said Commissioner in support of the complaint, or of any of its averments.

VIII. That counsel for your petitioner thereupon again moved for a dismissal of the complaint, and for your petitioner's discharge, on the ground that the said indictment charged no crime or offense against the laws of the United States, and that the evidence given by the Government upon the said examination had failed to show any such offence, and that the said Commissioner was therefore
4 without jurisdiction in the premises; and that this motion was also denied.

IX. That counsel for your petitioner then introduced in evidence before the said Commissioner a transcript of the stenographic minutes of the entire testimony which had been given by your petitioner in and upon his examination as a witness before the Sub-Committee of the Committee on Banking and Currency of the House of Representatives at and upon the inquiry and investigation mentioned in the said indictment, a copy of which said transcript is hereto annexed marked "F"; and a certified copy of the report of the said Sub-Committee, which was submitted to the House of Representatives on the 28th day of February, 1913, a copy of which is hereto annexed marked "G;" that no other or further proof was offered before the said Commissioner on behalf of your petitioner, and that, except as hereinabove stated, no evidence was presented to or adduced before the said Commissioner on the said examination by or on behalf of either party.

X. That at the close of the said examination, counsel for your

petitioner again moved the said Commissioner for a dismissal of the said complaint and for your petitioner's dischrage on the ground that no evidence had been given upon the said examination showing probable cause to believe your petitioner to be guilty of any crime or offense against the laws of the United States, and that the said Commissioner was therefore without jurisdiction in the premises; and that this motion was also denied.

XI. That thereupon the said Commissioner issued the commitment aforesaid, by virtue and under color of the authority of which the said William Henkel so restrains and detains your petitioner as aforesaid; and that in issuing the said commitment the said
5 Commissioner acted solely and exclusively upon the proceedings had upon the said examination, as above set forth, and upon no other or further proof or evidence whatsoever.

XII. That, as your petitioner is advised by counsel and verily believes, his imprisonment, restraint and detention are without authority of law whatsoever, and that he is now deprived of his liberty in violation of his rights, privileges and immunities under the Constitution and laws of the United States, for the following reasons:

(*a*) The said Commissioner was without authority, power or jurisdiction under the said Constitution and laws, by reason of any of the matters and things contained and set forth in the said complaint, or in the indictment aforesaid, or in either of them, or by reason of anything presented or adduced upon the said examination, to entertain any charge against your petitioner, or to act or proceed in any manner in the premises.

(*b*) At the time your petitioner attended before the said Sub-Committee of the Committee on Banking and Currency of the House of Representatives and gave his testimony before it, and at the time he refused to answer the questions which are set forth in the said indictment, the said Sub-Committee was engaged in no investigation or inquiry, and was conducting no proceeding, upon which your petitioner could be required or compelled, under the Constitution and laws of the United States, to testify or give evidence before the said Sub-Committee.

(*c*) The resolution of the House of Representatives of April 25, 1912, directing the investigation and inquiry in and upon
6 which your petitioner was examined as a witness before the said Sub-Committee, marked and known as House Resolution No. 504, was passed and adopted without and in excess of any power conferred upon the House of Representatives by the Constitution of the United States.

(*d*) The passage and adoption of the said resolution constituted an encroachment upon the powers confided by the Constitution to the judicial branch of the government; and in conducting the investigation and inquiry thereby directed, the said Sub-Committee assumed a power which could only be properly exercised by the judicial branch of the government.

(*e*) The said resolution, in so far as it undertook to require upon your petitioner to testify as a witness before the said Sub-Committee in respect of the transactions, matters and things concerning which

he was interrogated by and before the said Sub-Committee, beyond what he voluntarily chose to tell, and particularly in so far as it undertook to compel your petitioner to testify before the said Committee of and concerning the names of National Banks, and officers of National Banks who had participated in the syndicate operation of the California Petroleum Company, referred to in the said indictment, and of and concerning the name of the fourth partner in the syndicate therein denominated the "Banking Group," the said fourth partner being a banking firm in New York City which your petitioner had previously testified was a member of and had an interest in the said last mentioned syndicate, and in so far as it undertook to compel your petitioner to answer any of the questions which he refused to answer upon his examination before the said Sub-Committee, was passed and adopted without and in excess of any power vested in the House of Representatives by the constitution,
7 and conferred upon the said Sub-Committee no power or jurisdiction to require or compel your petitioner to answer any of the said questions.

(*f*) The matters sought to be elicited by the questions which your petitioner so refused to answer were, and are, your petitioner's personal and private affairs, and are also the personal and private affairs of the said firm of William Salomon and Company; and they are therefore matters into which neither the House of Representatives, nor the said Sub-Committee, had, nor can have, under the constitution, any right, power, jurisdiction or authority whatsoever to make inquiry in aid of the legislative function.

(*g*) The said resolution, in so far as it undertook to authorize the said Sub-Committee to inquire of and concerning the name of National Banks and of and concerning the names of officers of National Banks who had participated in the said syndicate operations of the California Petroleum Company was passed and adopted in violation of Title LXII, of the Revised Statutes which provides that no national banking association shall be subject to any visitorial powers other than such as are authorized by that Title, or are vested in the courts of justice, and was, for that further reason wholly null and void.

(*h*) None of the questions which your petitioner refused to answer on his examination as a witness before the said Sub-Committee was pertinent to any matter within the jurisdiction of the House of Representatives which was, at the time, before it for consideration, or proper for its examination, or to any fact bearing thereon.

(*i*) The said indictment charges no crime or offense against laws of the United States, and the evidence given before the said
8 Commissioner and upon which he issued the said commitment failed to show probable cause to believe that your petitioner had been guilty of any such crime or offense.

(*j*) The Congress of the United States is without power, under the Constitution and laws of the United States to constitute the matters and things specified in the said indictment a crime or offense against the United States.

(*k*) Your petitioner's refusal to answer the questions propounded

to him during his examination and testimony as a witness before the said Sub-Committee of the Committee on Banking and Currency of the House of Representatives as set forth in the said indictment, in the manner and form as therein alleged, did not constitute a crime or offense under any law of the United States.

(*l*) If Sections 102, 103 and 104 of the Revised Statutes upon which the said indictment purports to be based, or any other statute of the United States, were intended to make the acts specified in the indictment herein a crime or offense against the United States, and are to be construed as accomplishing that result, the same were enacted without, and in excess of, any power conferred upon the Congress by the Constitution of the United States, and are null and of no effect.

Wherefore your petitioner prays that a writ of habeas corpus may issue directed to the said William Henkel, Marshal as aforesaid, requiring him to bring and have your petitioner before this Court forthwith, to the end that due inquiry may be had in the premises and the question of your petitioner's imprisonment, restraint and
9 detention be disposed of as law and justice require. And your petitioner will ever pray.

Dated the 7th day of March, 1913.

GEORGE G. HENRY, *Petitioner.*

CRAVATH & HENDERSON,
Attorneys for the Petitioner.

Office and Post Office Address, No. 52 William Street, Borough of Manhattan, City of New York.

UNITED STATES OF AMERICA,
Southern District of New York, ss:

George G. Henry, being duly sworn deposes and says that he has read the foregoing petition and knows the contents thereof, and that the same is in all respects true.

GEORGE G. HENRY.

Subscribed and sworn to before me this 7th day of March, 1913.
[COMMISSIONER'S SEAL.] JOHN A. SHIELDS,
U. S. Commissioner.

10 EXHIBIT "A."

The accused, George G. Henry, named in the annexed warrant appearing before me this day, pursuant to adjournment for further examination, and said examination having been completed, and it appearing to me from the evidence produced that there is probable cause to believe the said George G. Henry guilty of the offenses charged in the annexed warrant and complaint contained, he is hereby committed for trial at the District of Columbia, that being the District in which the offenses charged *is* alleged to have been committed, and the said George G. Henry is hereby committed

to the custody of the United States Marshal for the Southern District of New York until a warrant for his removal shall issue by a United States District Judge, or he shall be otherwise dealt with according to law.

Dated, New York, March 7, 1913.

[COMMISSIONER'S SEAL.] JOHN A. SHIELDS,
U. S. Commissioner, Southern District of New York.

To William Henkel, U. S. Marshal, for the Southern District of New York.

11 EXHIBIT "B."

Approved:
JOHN E. WALKER,
Ass't U. S. Attorney.

Before John A. Shields, Esq., U. S. Commissioner Southern District of New York.

UNITED STATES OF AMERICA,
v.
GEORGE G. HENRY.

Complaint on Removal.

R. S. U. S., 1014, 102, 103 and 104.

SOUTHERN DISTRICT OF NEW YORK, *ss:*

John E. Walker, being duly sworn, deposes and says that he is an Assistant United States Attorney for the Southern District of New York.

On information and belief deponent alleges that on the 10th day of February, 1913, the Grand Jury of the United States of America in and for the District of Columbia returned to the Supreme Court for the District of Columbia an indictment, wherein it was charged that George G. Henry, the defendant above named, theretofore, to wit, on the 7th day of January, 1913, in the District of Columbia, did commit an offense cognizable under Sections 102, 103 and 104 of the Revised Statutes of the United States.

On information and belief deponent further alleges as follows:

That on the 24th day of February, 1912, the House of Representatives of the 62d Congress of the United States, did pass and adopt a resolution known as House Resolution No. 429, in manner
12 and form as set forth in full in said indictment.

That on the 5th day of March, 1912, pursuant to the resolution aforesaid, the Committee on Banking and Currency of the House of Representatives did appoint a Sub-committee from among its members composed of the following representatives, to wit: Arsene P. Pujo, William C. Brown, Robert L. Doughton, Hubert D.

Stephens, James A. Daugherty, James F. Byrnes, George A. Neeley, Henry McMerran, Everis A. Hayes, Frank E. Guernsey, and William H. Heald, and did authorize and direct said Sub-committee to carry on the said investigation provided for by the aforesaid House Resolution No. 429; that on the 25th day of April, 1912, the House of Representatives did pass and adopt a certain other resolution known as House Resolution No. 504, in manner and form as set forth in full in the indictment aforesaid.

That from time to time after the passage and adoption of House Resolution No. 504 as aforesaid, and until the 7th day of January, 1913, inclusive, the Sub-committee aforesaid and the several members thereof acting for and on behalf of the said Committee on Banking and Currency and pursuant to the authority of the resolution aforesaid, was engaged in performing the duties of investigating and inquiring into the matters and things therein directed to be investigated and inquired into.

That on the 7th day of January, 1913, at the city of Washington in the District of Columbia, the said Committee aforesaid, acting as aforesaid, were duly assembled and acting for the purpose of further conducting the investigation and inquiry aforesaid; that one George G. Henry, having been by authority of the House of Repre-
13 sentatives, duly summoned to appear as a witness before said Sub-committee at the time aforesaid, to give testimony upon the matters and things under inquiry by the said Committee on Banking and Currency and said Sub-committee under the resolution aforesaid, and having been then and there duly sworn by the chairman of said Committee, was thereupon examined by and on behalf of said Sub-committee, and did testify and declare in substance as set forth in pages 10 to the middle of page 15 inclusive of the indictment aforesaid.

That after testifying in the manner and form as hereinbefore referred to, and on the 7th day of January, 1913, at the District aforesaid, and during the examination and testimony of said George G. Henry as aforesaid, one Samuel Untermyer, acting for and on behalf of said Committee on Banking and Currecy and of said Sub-committee, did then and there propound to said George G. Henry as such witness a question of the tenor following, that is to say,

" 'The Committee desires to know the names of National Banks and officers of National Banks who participated in this syndicate operation of the California Petroleum Company',

(meaning thereby the names of National banks, if any there were, and the names of officers of National banks, who said George G. Henry, in his examination as such witness had testified were allotted participation in the syndicate formed by William Salomon and Company,—heretofore denominated 'New York Syndicate'—and to and for the account of which William Salomon and Company on October 2, 1912, sold and set over $5,000,000 par value, preferred stock, and $2,500,000 par value, common stock, of the California Petroleum Corporation, and for and on account of which said William
14 Salomon and Company sold said stock at a profit of nearly $500,000 and distributed said profit among the participants in said 'New York Syndicate')."

"And that thereupon, and at the time and place aforesaid, said George G. Henry did make a response to said question of the tenor following, to wit:

'Mr. Untermyer, I very greatly regret that I do not feel at liberty to give the committee that information.'

And that thereupon, the said Samuel Untermyer, acting as aforesaid, did then and there propound to said George G. Henry, as such witness, a question of the tenor following, to wit:

'You decline to do so?'

(meaning thereby to inquire, as the said George G. Henry well knew, whether said George G. Henry, by his response aforesaid, to the first mentioned question aforesaid, did thereby mean to decline and refuse to answer said first mentioned question.)

"And that thereupon, and at the time and place aforesaid, the said George G. Henry, did make a response to said last mentioned question, of the tenor following, to wit:

'Yes, sir, I respectfully decline to do so'.

"And that thereupon, and at the time and place aforesaid, said Samuel Untermyer, acting as aforesaid, did then and there propound to said George G. Henry as such witness, a question of the tenor following, that is to say:

'Do you also decline to state the name of the fourth partner in your syndicate?'

(meaning thereby, as said George G. Henry well knew and understood, to inquire of said George G. Henry, the name of the
15 banking firm in New York City, who, said George G. Henry, in his examination aforesaid, had testified was a member and had an interest of $12\frac{1}{2}$ per centum in the syndicate formed by William Salomon and Company, heretofore denominated the 'Banking Group', of which William Salomon and Company, Lewisohn Brothers, and Hallgarten and Company were also members, each with an interest of 29.1/66 per centum, and for whose account William Salomon and Company had purchased the stock of the California Petroleum Corporation from Doheny & Canfield, and sold the same to the 'New York Syndicate' and to a syndicate in London, and who, after the listing of the stock of the California Petroleum Corporation on the New York Stock Exchange, had, through Lewisohn Brothers engaged in operations in the 'Exchange' in the purchase and sale of stock of the California Petroleum Corporation, for the purpose of making a market for said stock.)

"And that thereupon, and at the time and place aforesaid, said George G. Henry, as such witness, in response to said last mentioned question, did say:

'Yes.'

"And that thereupon, and immediately following the response of said George G. Henry as aforesaid, the said Samuel Untermyer, acting as aforesaid, did then and there propound, to said George G. Henry as such witness, a question of the tenor following, that is to say:

'Who had an interest of twelve and a half per cent'?

(meaning thereby, as said George G. Henry well knew and understood, to inquire of said George G. Henry, the name of the banking firm in New York City, who, said George G. Henry, in his
16 examination aforesaid, had testified was a member and had an interest of 12½ per centum in the syndicate formed by William Salomon and Company, heretofore denominated the 'Banking Group' of which William Salomon and Company, Lewisohn Brothers, and Hallgarten and Company were also members, each with an interest of 29 1/66 per centum, and for whose account William Salomon and Company had purchased the stock of the California Petroleum Corporation from Doheny & Canfield, and sold the same to the 'New York Syndicate' and to a syndicate in London, and who, after the listing of the stock of the California Petroleum Corporation on the New York Stock Exchange, had, through Lewisohn Brothers engaged in operations on the 'Exchange,' in the purchase and sale of stock of the California Petroleum Corporation, for the purpose of making a market for said stock.)

And that thereupon, said George G. Henry, did, at the time and place aforesaid, make a response to said last mentioned question of the tenor following, to wit:

'Yes, I do, Mr. Untermyer.'"

That each of the questions so propounded and set forth as aforesaid was then and there under the circumstances, pertinent to the investigation and inquiry then and there being made by said Subcommittee, and that said George G. Henry, by his several responses made as aforesaid, did thereby then and there unlawfully refuse to answer the same; against the form of the statute in such case made and provided, and against the peace and government of the said United States.

On information and belief deponent further alleges that
17 said George G. Henry aforesaid, is at the present time physically within the territory of the Southern District of New York.

The sources of deponent's information and the grounds of his belief as to the matters and things hereinbefore set forth upon information and belief are an exemplified copy of the indictment hereinbefore referred to, under the hand of John R. Young, Clerk of the Supreme Court of the District of Columbia, and under the seal of said Court, and under the hand of Harry M. Clabaugh, Chief Justice of said Court; and a bench warrant issued out of said Supreme Court for the District of Columbia, for the apprehension of said George G. Henry, both of which are annexed hereto and made a part hereof; together with official communications received by the United States Attorney for the Southern District of New York from the United States Attorney for the District of Columbia.

Wherefore, deponent asks that a warrant be issued for the apprehension of said George G. Henry, and that he be removed from the Southern District of New York to the District of Columbia, in accordance with the statute in such case made and provided.

JOHN E. WALKER.

Subscribed and sworn to before me this 14 day of February, 1913.

JOHN A. SHIELDS,
United States Commissioner, Southern District of New York.

18 [Endorsed:] Before John A. Shields, Esq., U. S. Commissioner for the Southern District of New York. United States of America vs. George G. Henry. Complaint on Removal. R. S. U. S. 1014, 102, 103, 104.

19 EXHIBIT "C."

In the Supreme Court of the District of Columbia.

Transcript of Record.

To all to whom these presents come, Greeting:

UNITED STATES OF AMERICA,
District of Columbia, ss:

Be it remembered, That in the Supreme Court of the District of Columbia, at the City of Washington, in said District, at the times hereinafter mentioned, among others, was the following proceeding, to-wit:

Filed in Open Court February 10, 1913. J. R. Young, Clerk.

In the Supreme Court of the District of Columbia, Holding a Criminal Term, January Term, A. D. 1913.

DISTRICT OF COLUMBIA, *ss:*

The Grand Jurors of the United States of America in and for the District of Columbia aforesaid, upon their oath, do present:

That on, to-wit, the twenty-fourth day of February, in the year of our Lord one thousand nine hundred and twelve, the House of Representatives of the Sixty-Second Congress of the United States, did pass and adopt a resolution which was marked and known as House Resolution Numbered Four hundred twenty-nine, of the tenor following, that is to say:

20 "Resolved, That in order to obtain full and complete information of the banking and currency conditions of the United States for the purpose of determining what legislation is needed, the Committee on Banking and Currency is authorized and directed to make a full investigation thereof, including all matters touched upon in House Resolution Numbered Four hundred and five," (meaning thereby a certain resolution introduced in the House of Representatives February 3, 1912, by Robert L. Henry, a Member of said House) "within the jurisdiction of said Committee; and the said committee is authorized, as a whole or by subcommittee, to

sit during sessions of the House and the recess of Congress, to compel the attendance of witnesses, to send for persons and papers, to administer oaths to witnesses, and to employ experts, counsel, accountants, and clerical and other assistants. "The Speaker shall have authority to sign and the Clerk to attest subpœnas during the sessions or recess of Congress."

That on, to-wit, the fifth day of March, in the year of our Lord one thousand nine hundred and twelve, and pursuant to and by authority of said House Resolution Numbered Four hundred twenty-nine, the Committee on Banking and Currency of the House of Representatives, did appoint a Sub-committee from among its members, composed of the following representatives, to-wit: Arsene P. Pujo, William G. Brown, Robert L. Doughton, Hubert D. Stephens, James A. Daugherty, James F. Byrnes, Geo. A. Neeley, Henry McMorran, Everis A. Hayes, Frank E. Guernsey, and William H. Heald, and did authorize and direct said subcommittee to carry on the investigation and inquiry provided for by said House Resolution Numbered Four Hundred twenty-nine, and of which said Subcommittee said Arsene P. Pujo was made chairman, and that said Arsene P. Pujo was also the chairman of said Committee on Banking and Currency.

And that thereafter and on the twenty-fifth day of April in the year of our Lord one thousand nine hundred and twelve, the House of Representatives did pass and adopt a certain other resolution marked and known as House Resolution Numbered Five hundred four, by the tenor following, that is to say:

21 "Whereas H. Res. 429" (meaning thereby said House Resolution Number Four hundred twenty-nine) "was heretofore passed for the purpose of directing the conduct of an investigation into certain of the matters covered by this resolution, and it has since been ascertained that said H. Res. 429" (meaning thereby said House Resolution Numbered Four hundred twenty-nine) "is insufficient in the delegation of its powers to permit of the scope of inquiry which is believed to be necessary as a basis for remedial legislation on the subjects covered by this resolution:

"Resolved, that H. Res. 429" (meaning thereby said House Resolution Numbered Four hundred twenty-nine) "is hereby amended so that the same shall read as follows:

" 'Whereas legislation is now pending involving important changes in our national currency and monetary system and vitally affecting our national banks and other financial institutions, and various bills have also been introduced, and are now under consideration by Congress having for their purpose the amendment and supplementing of the Act approved July second, eighteen hundred and ninety, entitled—An Act to protect trade and Commerce against unlawful restraints and monopolies, generally known as the Federal anti-trust law; and

" 'Whereas bills are also pending or under consideration to regulate industrial corporations engaged in interstate commerce through Federal incorporation, supervision, and otherwise, and legislation is believed to be necessary to further control the incorpora-

tion, management and financial operations of railroad corporations that are now subject to the jurisdiction of the Interstate Commerce Commission, including, among other things, the regulation of the issue and sale of their securities and the protection of minority stockholders; and

" 'Whereas it has been charged, and there is reason to believe, that the management of the finances of many of the great industrial and railroad corporations of the country engaged in interstate commerce is rapidly concentrating in the hands of a few groups of financiers in the city of New York and their associates in New York and other cities, and that these groups, by reason of their control over the funds of such corporations and the power to dictate the depositories of such funds, and by reason of their relations with the great life insurance companies with headquarters in New York City, and by other means, have secured domination over many of the leading national banks and other moneyed institutions and life insurance companies in the city of New York and in other cities to which they direct such patronage and over the vast deposits of money and of the other assets of such institutions, thus enabling them and their associates to direct the operations of the latter in the use of the money belonging to their depositors and the stockholders and in the purchase and sale of securities and loans of money by such banks and other moneyed institutions and life insurance companies, and that these institutions and their funds are being used to further the enterprise and increase the profits of these groups of individuals from such transactions and to augment their power over the finances of the country and to control the money, exchange, security, and commodity markets, and prevent competition with the enterprises in which they are interested, to the detriment of interstate commerce and of the general public; and

22 " 'Whereas it has been further charged and is generally believed that these same groups of financiers have so entrenched themselves in the control of the aforesaid financial and other institutions and otherwise in the direction of the finances of the country that they are thereby enabled to use the funds and property of the great national banks and other moneyed corporations in the leading money centers to control the security and commodity markets; to regulate the interest rates for money; to create, avert and compose panics; to dominate the New York Stock Exchange and the various clearing-house associations throughout the country, and through such associations and by reason of their aforesaid control over the aforesaid railroads, industrial corporations, and moneyed institutions, and others, and in other ways resulting therefrom, have wielded a power over the business, commerce, credits and finances of the country that is despotic and perilous and is daily becoming more perilous to the public welfare; and

" 'Whereas the national banks and other moneyed institutions controlled as aforesaid are charged to have been, and to be, engaged in the promotion, underwriting and exploitation of speculative enterprises and in the purchase and sale of securities of such enter-

prises, and in acquiring, directly or indirectly, stocks of other banking institutions, and absorbing competitors and in using their corporate funds and credit for such purposes, either alone or in conjunction with those by whom they are controlled; and

" 'Whereas it is deemed advisable to gather the facts bearing on the aforesaid conditions and charges or in any way relating thereto and to any of the subjects above mentioned as a basis for remedial and other legislative purposes: Therefore, be it

" 'Resolved, That the Members now or hereafter constituting the Committee on Banking and Currency, by a subcommittee consisting of the eleven members thereof already appointed under H. Res. 429" (meaning thereby said House Resolution Numbered Four hundred twenty-nine) " 'and by such substituted members as may be from time to time selected from the members of the said committee to fill vacancies in the subcommittee, is authorized and directed—

" 'First. To fully investigate and inquire into each and all of the above recited matters and into all matters and subjects connected with or appurtenant to or bearing upon the same.

" 'Second. To fully inquire into and investigate among other things whether and to what extent—

" '(*a*) Individuals, firms, national banks and other moneyed corporations are engaged in or connected with the management of financial affairs of interstate railroad, or industrial corporations, or life insurance companies, and what potential or other power they have or exercise over such corporations, and how and to what uses the bankable funds of such interstate railroad or industrial or other corporation are applied.

" '(*b*) The marketing of the securities that have been from time to time issued by interstate railroad and industrial corporations has been by competitive bidding or otherwise.

" '(*c*) Changes have been procured in the general laws of any of the States under which such interstate corporations are organized in the interest or upon the procurement of such corporations, and for what reason and by what methods and influences such changes were accomplished".

23 " '(*d*) Individuals, firms, national banks, and other moneyed corporations interested or in anywise connected with such interstate corporations are enabled by reason of their relations or connections with other Interstate corporations or with other individuals, firms, national banks, moneyed corporation, or life insurance companies, or otherwise to prevent or suppress competition in the interest of such interstate corporations, or to protect or assist the latter in preventing or suppressing competition.

" '(*e*) Such interstate corporations and the individuals, firms, national banks and moneyed corporations are mutually benefited and protected against competition and otherwise by the relations existing between them."

" '(*f*) National banks and other moneyed and other institutions are directly or indirectly owned, dominated or controlled through

their directors or through stock ownership, official management, patronage, or otherwise by the same persons, interests, groups, of individuals or corporations that are also directly or indirectly interested in other national banks or moneyed or other corporations located in the same city and in interstate corporations that are customers of said national banks and other moneyed corporations.

" '(*g*) The same individuals are officers or directors of, or were or are directly or indirectly interested in or dominate or control, or heretofore dominated or controlled, in any way, more than one national bank or other moneyed corporation.

" '(*h*) The funds or credit of national banks and other moneyed corporations or life insurance companies are or have been used or employed other than in making current loans to merchants or on commercial paper, by whose influence or direction such funds or credit were so used or employed, and particularly whether and to what extent such funds are or have been employed: First, in the purchase of securities from bankers or others in any way interested in or connected with such corporations; second, in the guaranty or underwriting of securities or syndicate transactions, either alone or in conjunction with others, third, in loans on notes secured by bonds, stocks, or other collateral; fourth, in loans or on purchases of stocks of other banks or of any trust or investment company or financial or moneyed corporation; and fifth, in any form of investment alone or in joint account with others.

" '(*i*) Any national bank or other moneyed corporation, whether directly or indirectly, or whether through or by means of another corporation having substantially the same officers, management, control, or stockholders, or with stock paid for by the dividends of a parent or affiliated company, and, whether alone or with others, has acted as an issuing house or in offering securities to the public or to investors by prospectus, advertisement, solicitation, or otherwise, or has speculated, or is speculating in stocks, and if so, the nature of all such transactions and the profits and all other details thereof.

" '(*j*) The management and operations of the New York Stock Exchange and the New York Clearing House Association are, or may be, directly or indirectly, dominated, controlled, or otherwise affected by any individuals or groups of individuals who con-
24 trol or are influential in directing the use or deposit of the funds of national banks in the city of New York, or of interstate railways or industrial corporations, or life insurance companies, and the relations that the New York Stock Exchange and the New York Clearing House bear to such individuals and groups of individuals and to their financial transactions and to our commercial and financial systems and to interstate and foreign commerce.

" '(*k*) Any individual, firm, or corporation, or any one or more groups of such individuals, firms, or corporations, may or can affect the security markets of the country through the New York Stock Exchange, or can create, avert or compose panics by the control of the use and disposition of moneys in the banks and other moneyed

or other corporations that are controlled by such individuals, firm, or corporation, or by other means.

" '(*l*) There is any connection between the relation of bankers, banking firms and their associates to the railroad and industrial corporations engaged in interstate commerce, and the relations of such bankers, banking firms and their associates to the national banks and other moneyed or other corporations, and the relations of any of these interests to any of the others that operate to protect such interstate corporations against competition or are or may be used for that purpose.

" 'Third. To investigate, find, and report the facts bearing upon the payment of political contributions to national campaign funds by or in the interest of national banks and interstate railroad and industrial corporations, and by all persons who are officers or directors thereof, and by other persons who are directly or indirectly in control of or connected with such corporations, together with the amounts of such contributions and the circumstances attending the same.

" 'Fourth. To investigate the methods of financing the cash requirement of interstate corporations and of marketing their securities, and the relations of national banks and others to such transactions.

" 'Fifth. Said committee as a whole or by subcommittee is authorized to sit during the sessions of the House and during the recess of Congress. Its hearings shall be open to the public. The Committee as a whole or by subcommittee is authorized to hold its meetings both during the sessions of Congress and throughout the recesses and adjournments thereof and in such cities and places in the United States as it may from time to time designate; to employ counsel, experts, accountants, bookkeepers, clerical and other assistants; may summon and compel the attendance of witnesses; may send for persons and papers; and administer oaths to witnesses The Comptroller of the Currency, the Secretary of the Treasury, and the Commissioner of the Bureau of Corporations, and their respective assistants and subordinates, are hereby respectively directed to comply with all directions of the committee for assistance in its labors, to place at the service of the committee all the data and records of their respective departments, to procure for the committee from time to time such information as is subject to their control or inspection, and to allow the use of their assistants for the making of such investigations with respect to corporations under their respective jurisdictions as the committee or any subcommittee may from time to time request.

25 " 'No person shall be excused from giving testimony or from answering any question or from otherwise disclosing any fact within his knowledge, as an individual or as an officer or director of a corporation, or otherwise, or from producing any book, paper or document on the ground that the giving of such testimony or the production of such book, paper or document would tend to incriminate him, or for any other reason; but every person so testifying shall be granted immunity from prosecution with respect to any

matter or thing concerning which he may be interrogated and as to which he shall truthfully make answer under oath upon such investigation. The Speaker shall have authority to sign and the Clerk to attest subpœnas during the recess of Congress".

That on the said twenty-fifth day of April, in the year aforesaid, and at the time of the passage and adoption of said House Resolution Numbered Five hundred four, there were pending before the Congress of the said United States and in the Senate and House of Representatives thereof, certain Bills providing for amendments to and changes in the Federal Statutes then in force relating to the National Currency and monetary system of the said United States, and relating to the National banks and other financial institutions organized and doing business by virtue of the Federal Statutes then existing and in force and National banks and other institutions which might thereafter be organized, and relating to the supervision of and limitations upon the conduct of officers of said banks as the same might affect their relations to and actions upon the affairs of said banks, and also certain other Bills providing for the regulation and control of railroad and industrial corporations engaged in interstate commerce in the said United States. That the aforesaid bills are so numerous and the terms and provisions thereof so varied and extensive as to prevent the grand jurors aforesaid from setting them forth in this indictment by their tenor or otherwise more fully alleging the terms thereof.

26 That from time to time after the passage and adoption of House Resolution Numbered Five hundred four as aforesaid, and until the seventh day of January, inclusive, in the year of our Lord One Thousand nine hundred and thirteen, the Subcommittee aforesaid, and the several members thereof as aforesaid, acting for and on behalf of said Committee on Banking and Currency, and pursuant to and by authority of House Resolution Numbered Five hundred four, as aforesaid, was engaged in performing the duties of investigating and inquiring into the matters and things directed to be investigated under said House Resolution Numbered Five hundred four, and had, by the examination of witnesses summoned and appearing by authority and command of the House of Representatives pursuant to said House Resolution Numbered Five hundred four, adduced, among other things, certain evidence tending to prove, in substance and effect, as follows: that in the City of New York, State of New York, there was a certain voluntary association of individuals known as and called the "New York Stock Exchange", which for many years had, and still did, maintain a certain building and place in said City, commonly called the "New York Stock Exchange", (hereinafter denominated Exchange), with essential facilities for the purchase and sale of the capital stock, bonds, and other forms of securities, of corporations, organized and doing business in the United States and foreign countries, including the great railroad, industrial, mercantile, and banking corporations carrying on their business throughout the said United States and between the several States; that before the securities of said corporations could be dealt in by purchase, sale, or

otherwise, on the "Exchange", it was, by the rules of said "New York Stock Exchange", required that such securities be listed by said "New York Stock Exchange", that is to say that by orders of a certain committee of said "New York Stock Exchange",
27 to-wit, the Governing Committee, to whom the authority was delegated, such securities be allowed to become the subject of purchase and sale upon and in the "Exchange"; that by reason of the magnitude of trading through purchase and sale of corporate securities as aforesaid on the "Exchange", the "Exchange" had become and was the leading market in the United States, as well as a great World market, for the purchase and sale of securities as aforesaid. That the quotations for the purchase and sale of such securities on the "Exchange" were daily disseminated, distributed and published through and by means of the mails of the United States and by means of the telegraph and by the daily newspapers throughout the United States, and were generally accepted and adopted by interested persons, firms and corporations concerned in the ownership, the purchase and sale and otherwise in such securities, as a basis for fixing and determining the market value of such securities; that in the City of New York, there were many banks, including National Banks of the United States which made a practice of lending money and accepting as collateral security for the repayment thereof, the stocks, bonds and other forms of securities so listed and dealt in on the "Exchange", and that in ascertaining and determining the values of said corporate securities as such collateral for the loans so granted by them as aforesaid, the said Banks and the officers thereof, exercising the authority of granting loans therefor as aforesaid, did very generally consider and accept the said quotations for the purchase and sale of corporate securities as they occurred on the "Exchange, and as so disseminated, distributed and published as aforesaid, as a basis for ascertaining and deciding the market value of said corporate securities, and hence that corporate securities so listed and dealt in on the "Ex-
28 change" thereby became and were more available for use as such collateral security in obtaining loans from National banks and other financial institutions throughout the City of New York and elsewhere, than they would otherwise be.

And the rand Jurors aforesaid upon their oath aforesaid do further present:

That on the seventh day of January, in the year of our Lord One thousand nine hundred and thirteen, and at the City of Washington, in the District aforesaid, the Subcommittee aforesaid, which was then and there acting for and on behalf of the said Committee on Banking and Currency and by the authority and direction of the House of Representatives as provided by said House Resolution Numbered Five hundred four, were duly assembled, and acting for the purpose of further conducting the investigation and inquiry by said House Resolution Numbered Five hundred four directed to be made, and with the evidence tending to prove the matters and things hereinbefore set forth, before it, one George G. Henry, late of the District aforesaid, did appear before the said Subcommittee

acting as aforesaid, for examination as a witness, the said George G. Henry having been by the authority of the House of Representatives, duly summoned to appear as such witness before said Subcommittee, to give testimony upon the matters and things under inquiry by the said Committee on Banking and Currency and said Subcommittee, under said House Resolution Numbered Five hundred four, and was then and there duly sworn by said Arsene P. Pujo, chairman as aforesaid, and did take his corporal oath as such witness that the evidence which he should give, in and upon his examination as such witness, should be the truth, the whole truth and nothing but the truth; and that thereupon the said George G. Henry was examined by and on behalf of said Subcommittee, acting as aforesaid, and did upon the said examination, testify and declare, in substance, as follows:

29 That he, the said George G. Henry, was a partner in the firm of William Salomon & Company, engaged in the City of New York in the business of banking; that in the month of September, 1912, the California Petroleum Corporation was incorporated under the laws of the State of Virginia by the firm — of Doheny and Canfield, for the purpose of acting as a holding company for the capital stock of two corporations carrying on the business of producing and selling oil in the State of California; that the capital stock of the California Petroleum Corporation was $15,000,000 par value of preferred stock and $17,500,000 par value of common stock, each share of the par value of One hundred dollars. That on, to-wit, September 16, 1912, William Salomon and Company agreed to purchase of Doheny and Canfield, $10,000,000 par value, of preferred stock, and $7,572,845 par value, of the common stock of the California Petroleum Corporation for the sum of $8,215,662. That contemporaneously with the incorporation of the California Petroleum Corporation and the agreement to purchase stock as aforesaid, William Salomon and Company formed a syndicate composed of themselves, Lewisohn Brothers, Hallgarten and Company, bankers in New York City, and a certain other banking firm in said City (whose name witness did not disclose) for the purpose of participating in the purchase of said stock under said agreement and otherwise dealing therewith as hereafter appears (which said syndicate will hereafter be referred to as the "Banking Group"). That the unnamed participant in the "Banking Group" was granted an interest of 12½ per cent. therein and each of the other three participants 29.1/66 per cent.; that thereupon William Salomon and Company in behalf of the "Banking Group," sold to a syndicate in London, England, $5,000,000, par value, preferred stock,

30 and $2,500,000, par value, common stock, of the California Petroleum Corporation, plus accrued dividends on the preferred stock for the sum of $5,000,000, and thereafter had no interest in the stock thus sold. That at the same time William Salomon and Company formed a syndicate (hereafter referred to as "New York Syndicate") composed of, one hundred and four participants, including the members of the "Banking Group," to which they sold $5,000,000 par value, of the preferred stock, and $2,500,000 par

value, of the common stock of the California Petroleum Corporation, plus accrued dividends on preferred stock, for the sum of $5,000,000 and by the sales to the London and New York Syndicates as aforesaid, a profit was realized by the "Banking Group" of $1,784,338, in cash and $25,729. shares of the common stock, being the balance unsold, amounting to the par value of $2,572,846. Among the participants in the New York Syndicate were three corporations; also certain banking firms or institutions and as to whether these were incorporated institutions George G. Henry was uncertain; two of said banking institutions being located in New York City, and the other in another city of the United States. One of said banking institutions in New York City participated to an amount of $500,000., of the par value of the capital stock. That there were also fifteen individuals participating who were officers of seven national banks (meaning thereby banks organized and doing business under the statutes of the said United States), four of said National banks being located in the City of New York, two in the City of Chicago, Illinois, and one in the City of Detroit, Michigan; also six individuals who were officers of four trust companies, three of which companies were located in the City of New York and one in the City of Chicago; also three individuals who were officers of banks outside of the City of New York. That the total
31 amount of participation by officers of banks was $535,000,
the largest single participation being $50,000. granted to an officer of a national bank located in the City of New York. That there was also a trust company in the city of New York participating to the amount of $50,000., but that no National Bank participated. The total amount of participations in the syndicate by banks and banking institutions was $600,000, and the total number of individuals participating who were officers of said banks and institutions, including the national banks, was twenty-four. In some instances, banks, as well as officers thereof, participated. Altogether participations to the amount of $1,085,000, par value of the stock were granted to banking institutions and officers of banking institutions. That it was the usual practice of William Salomon & Company to grant participation in like transactions to banks and trust companies, including national banks in the city of New York and elsewhere throughout the United States, and it was not unusual for both the National banks and officers thereof to participate in the same syndicate. That the said George G. Henry did not want to disclose the names of the participants in the New York Syndicate, although he understood it to be the wish of the Subcommittee that he should, for the reason that he would consider it dishonorable to reveal the names of his customers unless compelled to do so.

That the members comprising the New York Syndicate were offered participation by William Salomon and Company by letter, but before acceptances had been received from all those to whom participation had so been offered, all the stock, to-wit, $5,000,000, par value, preferred, and $2,500,000, par value, of common, were sold by William Salomon and Company in behalf of the New
32 York Syndicate at a profit of nearly $500,000, which sale
was completed on the same day that the stock was allotted

and sold to the New York Syndicate. Through the sale of the New York Syndicate stock as aforesaid, the members of the syndicate who were officers of banks and to whom participation has been allotted, and in some cases before they had accepted the allotment and legally committed themselves, realized a profit from the transaction of about $50,000, and thereby, in effect, received a present of their proportionate share of the profits as aforesaid. That practically all the stock of the New York Syndicate was sold before any acceptances to participate therein had been received by William Salomon & Company, but that the profits realized were nevertheless distributed among those to whom participation had been offered as aforesaid. That the New York Syndicate participants never paid anything for or on account of their participation and never had possession of any of the stock certificates, but the same were held by William Salomon & Company as the syndicate managers, and on the same day said stock was by them set over to the New York Syndicate, to-wit, October 2, 1912, the transactions were entered on the books of William Salomon & Company by debiting the full amount of stock to the syndicate account and crediting the syndicate account with the various sales, whereupon the stock was delivered to the purchasers who were customers of William Salomon & Company and that some of said customers were participants in the New York Syndicate, but none of the bank officers, who were participants in the New York Syndicate, purchased any of Syndicate stock. They only took their profits from the New York Syndicate, though they had never contributed any money to the New York Syndicate, and were not legally committed as participants therein.

33 That after the sale of the New York Syndicate stock as aforesaid, and, on, to-wit, October 5, 1912, William Salmon & Company procured the listing of the stock of the California Petroleum Corporation on the New York Stock Exchange, that after the said stock was so listed and until the present (to-wit, January 7, 1913), Lewisohn Brothers conducted on the Exchange a market operation by the purchase and sale of said stock, for and on account of the "Banking Group" (William Salomon and Company, Lewisohn Brothers, Hallgarten & Company, and the undisclosed firm who had been granted a participation of 12½ per cent). The aforesaid market operations by Lewisohn Brothers on the "Exchange" was conducted for the purpose of making a market for the stock of the California Petroleum Corporation by creating a ready demand among the public for the purchase and sale of said stock. For this purpose, Lewisohn Brothers daily engaged on the "Exchange" in buying and selling the stock, which was done each day by the placing of orders with various brokers (members of the New York Stock Exchange operating on the Exchange), for purchase of the stock at certain prices and for the sale of the stock at certain prices, each of said brokers acting under such orders and so purchasing and selling the stock as aforesaid, being unaware that the other brokers so purchasing and selling the stock were likewise acting by the orders of Lewisohn Brothers, as aforesaid. That in the market operations aforesaid, the "Banking Group" lost money, but this they expected to

do in accomplishing their purpose of making a market for the stock. That although the stock of the "New York Syndicate" was sold by William Salomon & Company as aforesaid at $40 per share, and the stock of the "Banking Group" had been sold in part at $40 and in part at $45 per share, the market operations aforesaid on the "Exchange" were carried on at prices ranging between $62.50
34 and $70 per share, and rose as high as $72 per share,
shortly after operations began on the "Exchange" in the month of October. During the period the market operations aforesaid, the public (meaning thereby those not concerned in the organization of the California Petroleum Corporation or in the flotation of its stock as hereinbefore set forth) became purchasers of the stock on the "Exchange" at prices ranging between $50 and $70 per share, and that the stock is now, to-wit, January 7, 1913, selling at about $50 per share. That the natural market of the stock of the California Petroleum Corporation would not have been the same without the market operations carried on by Lewisohn Brothers for the "Banking Group" as aforesaid, but by reason thereof the stock attained a much better and wider market than it would have had without the market operations aforesaid and that there are now (January 7, 1913) nearly two thousand registered stockholders of the California Petroleum Corporation.

And that thereupon and on the seventh day of January, in the year aforesaid and at the District aforesaid, and during the examination and testimony of the said George G. Henry as aforesaid, one Samuel Untermyer, acting for and on behalf of said Committee on Banking and Currency and said Subcommittee, did then and there propound to said George G. Henry as such witness a question of the tenor following, that is to say:

"The Committee desires to know the name of National Banks and officers of National Banks who participated in this syndicate operation of the California Petroleum Company."

(meaning thereby the name of National Banks, if any there were, and the names of officers of National banks, who said George G. Henry, in his examination as such witness had testified were allotted participation in the syndicate formed by William Salomon
35 and Company—heretofore denominated "New York Syndi-
cate"—and to and for the account of which William Salomon and Company on October 2, 1912, sold and set over to $5,000,000 par value, preferred stock, and $2,500,000 par value, common stock, of the California Petroleum Corporation, and for and on account of which said William Salomon and Company sold said stock at a profit of nearly $500,000 and distributed said profits among the participants in said "New York Syndicate").

And that thereupon, and at the time and place aforesaid, said George G. Henry did make a response to said question of the tenor following, to-wit:

"Mr. Untermyer, I very greatly regret that I do not feel at liberty to give the committee that information."

And that thereupon the said Samuel Untermyer, acting as afore-

said, did then and there propound to said George G. Henry, as such witness, a question of the tenor following, to wit:

"You decline to do so?

(meaning thereby to inquire, as the said George G. Henry well knew, whether said George G. Henry, by his response aforesaid, to the first mentioned question aforesaid, did thereby mean to decline and refuse to answer said first mentioned question).

And that thereupon and at the time and place aforesaid the said George G. Henry did make a response to said last mentioned question, of the tenor following, to-wit:

"Yes, sir, I respectfully decline to do so."

And that thereupon, and at the time and place aforesaid, said Samuel Untermyer, acting as aforesaid, did then and there propound to said George G. Henry, as such witness, a question of the tenor following, that is to say:

"Do you also decline to state the name of the fourth partner in your syndicate?"

(meaning thereby, as said George G. Henry well knew and understood, to inquire of said George G. Henry, the name of the Banking firm in New York City, who, said George G. Henry, in his examination aforesaid, had testified was a member and had an inter-
36 est of 12½ per centum in the syndicate formed by William Salomon and Company, heretofore denominated the "Banking Group" of which William Salomon & Company, Lewisohn Brothers and Hallgarten & Company were also members, each with an interest of 29 1/66 per centum, and for whose account William Salomon and Company had purchased the stock of the California Petroleum Corporation from Doheny and Canfield, and sold the same to the "New York Syndicate" and to a syndicate in London, and who, after the listing of the stock of the California Petroleum Corporation on the New York Stock Exchange, had, through Lewisohn Brothers, engaged in operations on the "Exchange" in the purchase and sale of stock of the California Petroleum Corporation, for the purpose of making a market for said stock).

And that thereupon, and at the time and place aforesaid, said George G. Henry, as such witness, in response to said last mentioned question, did say:

"Yes."

And that thereupon and immediately following the response of said George G. Henry as aforesaid, the said Samuel Untermyer, acting as aforesaid, did then and there propound, to said George G. Henry, as such witness, a question of the tenor following, that is to say:

"Who had an interest of twelve and a half per cent."

(meaning thereby, as said George G. Henry well knew and understood, to inquire of said George G. Henry, the name of the banking firm in New York City, who, said George G. Henry in his examination aforesaid, had testified was a member and had an interest of 12½ per centum in the syndicate formed by William Salomon and

Company, heretofore denominated the "Banking Group,"
37 of which William Salomon and Company, Lewisohn Brothers and Hallgarten and Company were also members, each with an interest of 29 1/66 per centum, and for whose account William Salomon and Company had purchased the stock of the California Petroleum Corporation from Doheny & Canfield, and sold the same to the "New York Syndicate" and to a syndicate in London, and who, after the listing of the stock of the California Petroleum Corporation on the New York Stock Exchange, had, through Lewisohn Brothers, engaged in operations on the "Exchange," in the purchase and sale of stock of the California Petroleum Corporation, for the purpose of making a market for said stock.)

And that thereupon, said George G. Henry, did, at the time and place aforesaid, make a response to said last mentioned question of the tenor following, to-wit:

"Yes, I do, Mr. Untermyer."

And the Grand Jurors aforesaid, upon their oath aforesaid, do further present:

That each of the questions so propounded and set forth by their tenor as aforesaid, were then and there and under the circumstances aforesaid, pertinent to the investigation and inquiry then and there being made by said subcommittee, acting as aforesaid, and that the said George G. Henry, by his response so made to the first mentioned question, and by his responses so made to each of the several other and further questions, did thereby then and there unlawfully refuse to answer the same; against the form of the statute in such case made and provided, and against the peace and government of the said United States.

CLARENCE R. WILSON,
Attorney of the United States in and for the District of Columbia.

38 *Authentication.*

Supreme Court of the District of Columbia.

I, John R. Young, Cerk of the said Court, do hereby certify that the copy of indictment, annexed to this certificate, is a true copy of the original on file and of record in said office, and that said original indictment is pending in said Court.

Witness my hand and the seal of said Court this 10th day of February, 1913.

[Seal of the Supreme Court of the District of Columbia.]

JOHN R. YOUNG, *Clerk.*

I, Harry M. Clabaugh, Chief Justice of said Court, do certify the foregoing attestation by John R. Young, Clerk of the said Court, to be in due form.

Witness my hand and seal this 10th day of February, 1913.

HARRY M. CLABAUGH, [SEAL.]
Chief Justice.

I, John R. Young, Clerk of said Court, hereby certify that the Honorable Harry M. Clabaugh, whose genuine signature is subscribed to the foregoing certificate, was, at the time of signing and attesting the same, Chief Justice of said Court, duly commissioned and qualified.

Witness my hand and the seal of said Court, this 10th day of February, 1913.

[Seal of the Supreme Court of the District of Columbia.]

JOHN R. YOUNG, *Clerk.*

39 (Endorsed:) No. 28823. United States vs. George G. Henry. Violation Sections 102, 103 and 104 of Revised Statutes. Witness: Arsene P. Pujo. A true bill. Edwd. Schwartz, Foreman.

40 EXHIBIT "D."

In the Supreme Court of the District of Columbia, Holding a Criminal Term.

Criminal, No. 28823.

THE UNITED STATES
v.
GEORGE G. HENRY.

Indicted for Violation Sections 102-103-104 Revised Statutes.

The President of the United States to the United States Marshal for the District of Columbia, Greeting:

You are hereby commanded to take the defendant George G. Henry, if to be found in your District, and him have before the Criminal Court for the said District of Columbia on the — day of ——, 191— (immediately), to answer the United States touching the offense charged against him.

Hereof fail not and have there then this writ, so indorsed as to show how you have executed it.

Witness, the Honorable Harry M. Clabaugh, Chief Justice of said Court, the 10th day of February, A. D. 1913.

[Seal of the Supreme Court of the District of Columbia.]

J. R. YOUNG, *Clerk,*
By E. J. McKEE,
Assistant Clerk.

41 Endorsed: Criminal Court No. 1. Criminal No. 28823. United States v. George G. Henry. Bench Warrant. Issued February 10, 1913. Marshal's Return: —— ——, U. S. Marshal.

42 EXHIBIT "E."

The President of the United States of America to the Marshal of the United States for the Southern District of New York and to his deputies or any or either of them:

Whereas, complaint on oath hath been made to me, charging that George G. Henry did on or about the 7 day of January, in the year one thousand nine hundred and thirteen at the District of Columbia commit an offense cognizable under Sections 102, 103 and 104 of the Revised Statutes of the United States, and which said offense is more particularly set forth in a certified copy of the complaint hereunto annexed and to which reference is hereby made for greater certainty against the peace of the United States and their dignity, and against the form of the statute of the United States in such case made and provided. And it being satisfactorily proven to me that the said George G. Henry is now in the Southern District of New York.

Now, therefore, you are hereby commanded in the name of the President of the United States of America, to apprehend the said George G. Henry and bring his body forthwith before me, or some Judge or Justice of the United States, wherever in the State of New York he may be found that he may then and there be dealt with according to law for the said offense.

Given under my hand and seal, this 14 day of February in the year of our Lord one thousand nine hundred and thirteen.

[SEAL.]

JOHN A. SHIELDS,
United States Commissioner for the Southern District of New York.

HENRY A. WISE,
United States Attorney.

43 Endorsed: Sec. 101, 102, 103 and 104 Revised Statutes. The United States of America vs. George G. Henry. Warrant to Apprehend. Henry A. Wise, United States Attorney.

I hereby depute —— to execute the within process.
Dated, New York, Feb. 14/13.
20168.

WM. HENKEL,
U. S. Marshal.

Def't disch'd on bail to await exam.

JOHN A. SHIELDS,
U. S. C.

Received this warrant on the 14 day of Feb'y, 1913, at New York City and executed the same by arresting the within named George G. Henry at New York City on the 14 day of Feb. 1913, and have his body now in court as within I am commanded.

W. HENKEL,
U. S. Marshal.

The within named accused George G. Henry being arrested and brought before me on the within warrant and the charge herein contained being duly explained to said accused and he being duly cautioned and informed of his rights in the matter says that he demands an examination and the said accused George G. Henry is hereby committed to the custody of the U. S. Marshal for the Southern District of New York to be brought before me for examination on [illegible] o'clock P. M. in default of $2,000 bail.

New York, Feb. 14, 1913.

JOHN A. SHIELDS,
U. S. Commissioner, S. D. of N. Y.

To William Henkel, Esq., U. S. Marshal.

Attendance and examination adj. February 27, 1913, at 11 A. M.
Dated Feb. 20/13.

JOHN A. SHIELDS,
U. S. Comm.

Attendance and further examination adj'd to March 7, 1913, at 11 A. M.
Feb. 27, 1913.

JOHN A. SHIELDS, *U. S. C.*

44 [Endorsed:] United States District Court, Southern District of New York. George G. Henry v. William Henkel, Marshal &c. Petition for Habeas Corpus. Cravath & Henderson, Attorneys for Petitioner, 52 William Street, Borough of Manhattan, New York City. U. S. District Court S. D. of N. Y. Filed Mar. 7, 1913.

45 EXHIBIT F.

Money Trust Investigation.

Subcommittee of the Committee on Banking and Currency.

HOUSE OF REPRESENTATIVES,
WASHINGTON, D. C., MONDAY, *January* 6, 1913.

The Subcommittee met at 2:30 o'clock P. M.

Present: Messrs. Pujo (Chairman), Brown, Stephens, Byrnes, Daugherty and Heald.

Present also: Samuel Untermyer, Esq., of New York City, Counsel for the Committee, and G. Carroll Todd, Assistant Counsel for the Committee.

[SEAL.]

46 *Testimony of Mr. George G. Henry.*

(The witness was sworn by the Chairman.)

Mr. Untermyer: Where do you reside?

Mr. Henry: I live at Morristown, New Jersey.

Mr. Untermyer: Where is your place of business?

Mr. Henry: 25 Broad Street, New York City.

Mr. Untermyer: What is your business?

Mr. Henry: I am a banker.

Mr. Untermyer: Of what firm are you a member?

Mr. Henry: William Saloman & Company.

Mr. Untermyer: You are a partner in that firm?

Mr. Henry: Yes, sir.

Mr. Untermyer: How long have you been engaged in the banking business in New York?

Mr. Henry: I have been in the business ever since I came out of college, which was about twelve years ago.

Mr. Untermyer: Are you a member of the New York Stock Exchange?

Mr. Henry: No, sir.

Mr. Untermyer: Is any member of your firm a member of the Exchange?

Mr. Henry: Yes, one of my partners.

Mr. Untermyer: Which one of your partners?

47 Mr. Henry: Mr. Stewart Waller.

Mr. Untermyer: Was your firm concerned in the promotion and flotation of the California Petroleum Company?

Mr. Henry: I would not say we were engaged in its promotion. We bought some stocks from the men who did promote it.

Mr. Untermyer: Did you buy stocks in conjunction with Lewisohn Brothers and Hallgarten & Company, incident to the organization of the company? Was it not all practically one transaction?

Mr. Henry: It was practically all one transaction, yes, sir.

Mr. Untermyer: It amounted, in effect, to a promotion, did it not?

Mr. Henry: I should not think so.

Mr. Untermyer: Well, let us see what happened. There was a company organized——

Mr. Henry: Just a moment, Mr. Untermyer. We did not buy these stocks in conjunction with them. They bought them in conjunction with us.

Mr. Untermyer: Oh. They bought them in conjunction with you, but you did not buy them in conjunction with them. I see.

48 Mr. Henry: It was our business.

Mr. Untermyer: Well, having passed that bridge——

Mr. Henry: (Continuing). It was not their business.

Mr. Untermyer: Let us see what happened. There was a company organized, was there not?

Mr. Henry: Yes, sir.

Mr. Untermyer: At what time?

Mr. Henry: I shall have to refer to the dates.

Mr. Untermyer: It was in September, 1912, was it not?

Mr. Henry: I do not believe I have the date of the incorporation here. It was in the latter part of September.

Mr. Untermyer: In the latter part of September, 1912?

Mr. Henry: Yes.

Mr. Untermyer: Under the laws of what State?

Mr. Henry: Virginia.

Mr. Untermyer: It was a corporation organized under the Virginia law, to carry on business in California?

Mr. Henry: No. It was to hold the stocks of two California companies.

Mr. Untermyer: Who organized that company? It was organized through what counsel?

Mr. Henry: It was done by Messrs. Kellogg, Emory, Boston and Cuthell, who were counsel for Doheny and Canfield.

49 Mr. Untermyer: Who represented you?

Mr. Henry: (Continuing:) Their local counsel in Virginia was Mr. Williams' firm. I have forgotten the name of it: the firm of Mr. Randolph Williams.

Mr. Untermyer: Was your firm at all represented in the organization of the company?

Mr. Henry: As to all the part of it with which we had anything to do, our counsel were Cravath, Henderson & de Gersdorff.

Mr. Untermyer: There were several counsel for the interests in the company, who looked after the organization of the company?

Mr. Henry: That is right, sir.

Mr. Untermyer: And you were represented in its organization through your counsel?

Mr. Henry: In so far as its organization affected us, we were.

Mr. Untermyer: You were acquiring the stock as an incident to this incorporation or organization?

Mr. Henry: That is the way it worked out.

Mr. Untermyer: Yes. So that you did have something to do with the promotion of the company?

Mr. Henry: Not directly.

50 Mr. Untermyer: Well, let us see about that. What was the capital of this company?

Mr. Henry: It was organized with an authorized amount of fifteen million dollars preferred and seventeen and a half million dollars of common stock.

Mr. Untermyer: How much of it was issued in conjunction with this negotiation to which you were a party?

Mr. Henry: I do not know whether my papers will show me that or not. I can tell you how much we bought.

Mr. Untermyer: No, no. Just recognize the distinction, please, between the two propositions, Mr. Henry, if you will.

The question is: How much was issued to the vendors and how much was left in the treasury, if anything was left?

Mr. Henry: At the time of the original issue, there was an issue

to Doheny and Canfield of $11,997,024 preferred stock, and $13,-513,081 of common stock.

Mr. Untermyer: Of which you and your associates undertook to purchase how much?

Mr. Henry: We purchased $10,000,000 of preferred stock and $7,572,845 of common stock.

Mr. Untermyer: That entire transaction was conducted
51 and arranged at one time, was it not? That is, that the company should be organized, that its capital should be fixed at a given amount, and that you and your associates should acquire a given part of it?

Mr. Henry: It was all a part of the same deal.

Mr. Untermyer: It was all a part of the same transaction?

Mr. Henry: Certainly.

Mr. Untermyer: And, that being so, I understand you to say you had nothing to do with the promotion or organization of the company?

Mr. Henry: We had nothing to do directly with it. I think there is a very important distinction there, Mr. Untermyer. We had nothing whatever to do with the promotion of the company. We bought stock from two men. We are not promoters.

Mr. Untermyer: I understand, Mr. Henry, your hesitation at the suggestion that you are promoters.

Mr. Henry: Not necessarily.

Mr. Untermyer: The question is not what you think you were, but what you did; and the contract would show that, would it not?

52 Mr. Henry: I think so.

Mr. Untermyer: Have you got the contract here between Doheny and Canfield on the one part, and your firm on the other?

Mr. Henry: I have.

Mr. Untermyer: Please produce it.

(The paper referred to was produced by the witness and thereupon marked "Exhibit No. 149, January 6, 1913.")

Mr. Untermyer: This contract is between Doheny and Canfield and William Saloman & Company, dated the 16th of September, 1912.

You do not consider, Mr. Henry, that under the terms of that contract you and Doheny and Canfield together promoted the organization of this company in connection with the purchase by your firm of part of the securities of the company provided to be organized?

Mr. Henry: I do not know just what you are trying to get at, Mr. Untermyer. What do you want me to admit?

Mr. Untermyer: I do not want you to. I want you to answer the question.

Mr. Henry: The facts were these: Doheny and Canfield had two properties out in California, held by two different companies, which they wanted to put together, and which they did put
53 together; and after they had put those two properties to-

gether, although it was all done at the same time, we purchased some of the preferred stock and some of the common stock of the new company from them.

Mr. Untermyer: Is it not a fact that it was not after they had put them together, but a part of the deal by which they put them together, that you were to buy the stock?

Mr. Henry: Certainly.

54 Mr. Untermyer: And that you do not call being interested in the promotion?

Mr. Henry: I should not say that we were not interested in the promotion. I do not say that. I said we were not directly promoters in it.

Mr. Untermyer: Were you not joint promoters with them?

Mr. Henry: I should not say so. I think we were interested in the promotion.

Mr. Untermyer: I read from this exhibit No. 149. This is from Doheny & Canfield. (Reading:)

"SEPTEMBER 16, 1912.

Messrs. William Salomon & Company, New York City.

GENTLEMEN: "We hereby offer to sell and deliver to you for the sum of $8,215,662 in cash, $10,000,000 par value of the preferred stock, and $7,572,845 par value of the common stock of the California Petroleum Corporation, a corporation to be organized under the laws of the State of Virginia, to which we shall make an offer in form and terms hereto annexed."

Have you the offer?

Mr. Henry: I have.

55 Mr. Untermyer: Let me have it.

(The paper referred to was handed to counsel for the committee.)

Mr. Untermyer (continuing reading):

"Delivery of temporary voting trust certificates for the common stock and temporary stock certificates in negotiable form shall be made at your office in the City of New York. The first payment shall be at least $4,000,000, and shall be made as soon as the corporation is organized and the stock issued to us, which shall not be later than October 15, 1912; and the balance of the purchase price shall be paid from time to time thereafter at your convenience, provided that not less than $2,000,000 thereof shall be paid within thirty days after the first payment, and the entire balance within sixty days after such first payment. Each payment after the first, shall be made with interest thereon from the date of the first payment at six per cent per annum. The amounts of stock of each class delivered at the time of each such payment shall be substantially in proportion to the principal of such payment.

"The common stock delivered to you is to be represented by voting trust certificates in form and terms satisfactory to you; the voting trustees to be E. L. Doheny, C. A. Canfield, and G. G. Henry,"——

56 Is that you?

Mr. Henry: Yes sir.

Mr. Untermyer (continuing reading):

"With the right to each of the former to nominate the successor of the other and the right to William Salomon & Co. to nominate the successor of Henry; the voting trust to continue for five years.

"For the preferred and common stocks issued to us and not sold to you, we are to accept scrip of the company and the voting trustees respectively, exchangeable on or after October 1, 1913, but not before that date without your consent, for such stock and voting trust certificates.

"Provision shall be made in the charter or by-laws of the California Petroleum Corporation, or in such other manner as your counsel may approve, to the effect that the corporation shall have a finance committee of its Board, and that all its financial affairs shall be in the hands of such Finance Committee, and that such Finance Committee shall have the power to approve any action of the board relating to financial affairs before the same shall become effective. Such committee shall have a membership of three, two of whom are to be nominated by you and one by us."

57 That is, Salomon & Company were to have two out of the three members of the Finance Committee?

Mr. Henry: That is right.

Mr. Untermyer: And yet you do not think you were a party to the promotion? And you were to be one of the voting trustees for the stock?

Mr. Henry: I was.

Mr. Untermyer: Do you not think you would like to change your mind about that, Mr. Henry?

Mr. Henry: I have never said that we did not have anything to do with the promotion. I said we were not directly concerned about it; and I still do not think we were.

Mr. Untermyer: Do you not think you were very directly concerned, under this agreement?

Mr. Henry: No sir; I do not—not directly.

Mr. Untermyer: All right. (Continuing reading:)

"This arrangement as to membership shall only continue so long as any of the preferred stock shall remain outstanding, but not longer than the continuance of the voting trust.

"The undersigned will serve as directors and officers of the California Petroleum Corporation for three years from its organization, and will give its affairs such consideration and attention as its best interests may require.

58 "All matters of a legal character, including approval of titles, shall be subject to approval of your counsel."

That is, Salomon & Company's counsel?

Mr. Henry: Yes.

Mr. Untermyer (continuing reading):

"The preferred stock of the California Petroleum Corporation,

and provisions for its protection, are described in schedules 'A' and 'B' annexed.

"Kindly indicate your acceptance of this offer within ten days from date, during which time we agree that it shall remain open in order that you may endeavor to form a syndicate.

Very truly yours,

E. L. DOHENY
C. A. CANFIELD."

Have you the acceptance?

Mr. Henry: I do not think I have that with me. It was very brief. It was just an acknowledgement of their letter.

Mr. Untermyer: You were subpœnaed to produce that, were you not?

Mr. Henry: I do not know that I was. I may say, Mr. Untermyer, that I prepared these papers about two weeks ago, when
59 I came down here first.

Mr. Untermyer: I call your attention, in connection with your statement that you did not know whether you were asked to produce the acceptance, to the third and fourth paragraphs of your subpœna?

Mr. Henry: I have it now.

Mr. Untermyer: You find that you were asked to produce it, do you not?

Mr. Henry: If you tell me I was, I was.

Mr. Untermyer: Is this the acceptance (referring to paper)?

Mr. Henry: That is the letter—the acknowledgement of that one of theirs.

Mr. Untermyer: This is not the aceptance.

Mr. Henry: Here is the rest of it (handing papers to counsel).

Mr. Untermyer: Yes. We will offer these as exhibits.

(The papers referred to were thereupon marked, respectively, exhibits Nos. 150 and 151.)

Mr. Untermyer: Will you be good enough, Mr. Henry, to produce the various schedules that are referred to in the original offer?

(The witness produced the papers, which were thereupon
60 offered in evidence and marked "Exhibits Nos. 152 and 153.)

Mr. Untermyer: Does that complete it?

Mr. Henry: Yes.

Mr. Untermyer: These are the documents referred to in exhibit No. 149.

(The exhibits last referred to will be found at the end of today's proceedings.)

The Chairman: The usual hour of adjournment having arrived, we will suspend until tomorrow morning at 11 o'clock.

(Whereupon, at 4:10 o'clock p. m., an adjournment was taken until tomorrow, January 7, 1913, at 11 o'clock a. m.)

61 (EXHIBIT NO. 149.)

SEPTEMBER 16*th*, 1912.

Messrs. William Salomon & Company, New York City.

GENTLEMEN: We hereby offer to sell and deliver to you for the sum of $8,215,662 in cash, $10,000,000, par value of the preferred stock and $7,572,845 par value of the common stock of the California Petroleum Corporation, a corporation to be organized under the laws of the State of Virginia, to which we shall make an offer in form and terms hereto annexed.

Delivery of temporary voting trust certificates for the common stock and temporary preferred stock certificates in negotiable form, shall be made at your office in the City of New York. The first payment shall be at least $4,000,000 and shall be made as soon as the Corporation is organized and the stock issued to us, which shall not be later than October 15th, 1912; and the balance of the purchase price shall be paid from time to time thereafter at your convenience provided that not less than $2,000,000 thereof shall be paid within thirty days after the first payment and the entire balance within sixty days after such first payment. Each payment, after the first, shall be made with interest thereon from the date of the first payment at six per cent. per annum. The amounts of stock of
62 each class delivered at the time of each such payment, shall be substantially in proportion to the principal of such payment.

The common stock delivered to you is to be represented by voting trust certificates in form and terms satisfactory to you; the voting trustees to be E. L. Doheny, C. A. Canfield and G. G. Henry, with the right to each of the former to nominate the successor of the other and the right to William Salomon & Co. to nominate the successor of Henry; the voting trust to continue for five years.

For the preferred and common stocks issued to us and not sold to you we are to accept scrip of the Company and the Voting Trustees respectively, exchangeable on or after October 1, 1913 but not before that date without your consent, for such stock and voting trust certificates.

Provision shall be made in the charter or by-laws of the California Petroleum Corporation, or in such other manner as your counsel may approve, to the effect that the Corporation shall have a Finance Committee of its Board and that all its financial affairs shall be in the hands of such Finance Committee, and that such Finance Committee shall have the power to approve any action of the Board relating to financial affairs before the same shall become effective. Such Committee shall have a membership of three, two of whom are to be nominated by you and one by us. This arrangement as
63 to membership shall only continue so long as any of the preferred stock shall remain outstanding but not longer than the continuance of the voting trust.

The undersigned will serve as directors and officers of the Cal-

ifornia Petroleum Corporation for three years from its organization and will give its affairs such consideration and attention as its best interests may require.

All matters of a legal character, including approval of titles, shall be subject to approval of your counsel.

The preferred stock of the California Petroleum Corporation, and provisions for its protection, are described in Schedule "A" and "B" annexed.

(Kindly.)

Kindly indicate your acceptance of this offer within ten days from date, during which time we agree that it shall remain open in order that you may endeavor to form a syndicate.

Very Truly yours,

(Signed) E. L. DOHENY.
(Signed) C. A. CANFIELD.

64 (EXHIBIT No. 150.)

William Salomon & Co., Bankers, 25 Broad Street, New York.

SEPTEMBER 19, 1912.

Private.

California Petroleum Corporation.

Messrs. E. L. Doheny and C. A. Canfield, New York.

GENTLEMEN: We have your letter of September 16th. We are proceeding in the endeavor to form a syndicate, and shall inform you of our determination within the period of ten days fixed by your letter.

We beg to advise you that we are informed by Messrs. Salomon & Co., London, that the change contemplated in schedule "B" is agreeable to them, and therefore confirm that the modifications therein proposed are adopted.

Your very truly,

—— ——.

65 (EXHIBIT No. 151.)

William Salomon & Co., Bankers, 26 Broad Street, New York.

SEPTEMBER 25, 1912.

Private.

Messrs. E. L. Doheny and C. A. Canfield, New York.

DEAR SIRS: Referring further to your letter of September 16th, offering to sell to us for the sum of $8,215,662 in cash $10,000,000 par value of the preferred stock and $7,572,845 par value of the common stock of California Petroleum Corporation, we now beg to advise you that we have determined to accept said offer and agree to

purchase said stock at said price and upon the terms and conditions set forth in your letter.

Yours very truly,

——— ———.

H. S. (H.)

66 (EXHIBIT NO. 152, JANUARY 6, 1913.)

Final.

9/17/12. D. E.

NEW YORK, *September* —, 1912.

To the Board of Directors of the California Petroleum Corporation.

GENTLEMEN: The undersigned own or control upwards of eighty per cent. of the capital stock of the American Petroleum Company and of the American Oilfields Company respectively, both of which are operating companies organized under the laws of the State of California having themselves interests in a number of subsidiary corporations. We shall probably acquire most if not all of the balance of the stock of both Companies. For the purpose of bringing into closer relations the management and operations of those two companies, we offer to sell and deliver to you all of such stock now owned or controlled by us or acquired by us within six months, on the basis of the issue to us or our order of $12,500,000 par value, out of $15,000,000 authorized of your preferred stock, and of $15,000,000 par value, out of $17,500,000 authorized of your common stock, for all of the outstanding preferred (20,959 shares)
67 and all of the common stock outstanding (124,684 shares) of the American Petroleum Company, together with all of the stock (183,038 shares) of the American Oilfields Company, the par value of all of said shares being $100 each, together with the sum of $2,200,000 in cash. As we can now deliver to you only eighty per cent of the stocks of the above Companies we propose to pay you cash in excess of the amount above stipulated, such excess cash to be returned to us accompanied by amounts of your stock, in the manner hereinafter set forth, if and as we from time to time make delivery to you of portions of the remaining twenty per cent. of the stocks of the above Companies; and we propose that deliveries and payments be not made pro rata, but in the following manner:

We to deliver to you at once upon the acceptance of this offer, the following:

80% of the outstanding preferred stock of the American Petroleum Company, or in all....... $1,676,720

par value;

80% of the common stock of the American Petroleum Company, or in all.................... 9,974,720

par value;

68 80% of the stock of the American Oilfields Company, or in all.................. 14,643,040

par value;

Cash 3,400,156.40

receiving in exchange therefor stock of your Company as follows:

Preferred stock, par value	$11,997,024
Common stock, par value	13,513,081

We will at the same time in addition to the cash above specified pay to your Company in cash the amount of any and all dividends which at or before the date of such delivery shall have been actually paid or become payable, to others than your Corporation, upon the above specified shares of stock of the American Oilfields Company and the American Petroleum Company, subsequent to any dividends for the month of August, 1912 payable on or about October 1st, 1912 thereon.

The deliveries and payments hereinabove specified of and for said 80% of the stocks of said companies shall be absolute and unconditional, and neither party shall have any right to any rebate or repayment of or on account of the delivery or non-delivery of the remaining 20% of the stock of said companies, except as
69 hereinafter expressly stated.

We shall not be liable for failure to secure said remaining 20%, but are to use our best efforts to do so and will deliver to you so much thereof as we obtain during six months from the date hereof, and you shall be firmly bound to receive the same as offered to you from time to time within said period and to deliver in exchange therefor to us or our order, stocks and cash as follows:

(*a*) For each share of preferred stock of the American Petroleum Company: $20. par value of your preferred stock, $75. par value of your common stock and $40. in cash.

(*b*) For each share of the common stock of the American Petroleum Company: $8 par value of your preferred stock, $25 par value of your common stock, and $37. in cash.

(*c*) For each share of stock of the American Oilfields Company: $6 par value of your preferred stock, $15 par value of your common stock and $3 in cash.

By acceptance hereof your Company will agree (1) not to purchase, or contract or negotiate for the purchase, from others of any of said remaining stocks of the American Petroleum
70 Company or the American Oilfields Company at any time within one year from the date hereof; (2) to purchase from us forthwith upon the acceptance of this offer $1,000,000 par value of the outstanding bonds of the American Oilfields Company at the price of 80% of the face value thereof and accrued interest, which bonds we agree, if this offer is accepted, to sell and deliver to you at that price; (3) to purchase from us if tendered to you at any time or from time to time within six months from the date hereof, not exceeding $323,000 face value additional of said bonds at said price of 80%, plus accrued interest; (4) not to purchase or contract or negotiate for the purchase from others of any of the

bonds of said issue at any time within one year from the date hereof.

In lieu of preferred stock certificates deliverable to us pursuant hereto, you are to issue and we to accept scrip of your Company exchangeable on or after October 1, 1913 (but not before that date without the consent of the bankers to be designated by us), for such preferred stock certificates.

We hand you herewith report of Messrs. Price, Waterhouse & Co., dated —, upon the American Petroleum Company and the American Oilfields Company, also letter from Messrs. Price,
71 Waterhouse & Co., dated —, together with the reports of Dr. Ralph Arnold and of O'Melveney, dated respectively —, 1912 and —, 1912.

Yours truly,

(Signed) C. A. C.

(Signed) E. L. D.

72

EXHIBIT No. 153.

Schedule "A."

The preferred stock shall be entitled to a cumulative yearly dividend at the rate of 7% per annum from the date of the organization of the California Petroleum Corporation, payable quarterly, and each such quarterly dividend shall be paid or provided for before any dividend for that quarter shall be declared or paid upon or set apart for the common stock; and no dividend shall be paid or declared on the common stock in any fiscal year until all arrearages of dividends on the preferred stock have been paid and the full dividend on the preferred stock for the current quarter of such fiscal year shall have been paid or provided for.

The preferred stock shall also be entitled to participate pro rata with the common stock in all dividends declared in any year after dividends of 7% have been declared and set apart upon the common stock in such year.

The preferred stock shall also be entitled to priority in the payment of principal out of the assets of the Company over the common stock to its full par value, with all arrearages of dividends, and in the event of any voluntary liquidation of the Company caused otherwise than by bankruptcy or insolvency, it shall be entitled to receive 120% of its par value plus arrearages of dividends, before any of the Company's assets are distributed to the holders
73 of the common stock. After payment of the amounts hereinabove specified to the holders of the preferred stock they shall have no further share or portion of the Company's assets.

The preferred stock shall be redeemable, in whole or in part, at 120% of its par value and accrued dividends upon forty days' notice by mail or publication. The method in which such redemption shall be carried out shall be as provided by the by-laws from time to time, which shall conform to the requirements of the New York Stock Exchange.

For the purpose of creating a sinking fund for the purchase or redemption of the bonds of Subsidiary Companies or the preferred stock of this Corporation, there shall be set aside out of the net earnings of the Company remaining after the payment of full dividends with all arrearages thereon upon the preferred stock, and before the payment of any dividends upon the common stock, within thirty days after January 1st in each year beginning with the year 1915, an amount equal to five (5) cents for each barrel of petroleum sold by the California Petroleum Corporation or any Subsidiary Company during the preceding year, provided, however, that if the California Petroleum Corporation shall own less than all the outstanding stock of any Subsidiary Company, the sinking fund
74 upon that Company's sale shall be that proportion of five
(5) cents which the amount of stock held bears to the total amount outstanding. The obligation to carry such amount to the preferred stock sinking fund shall be cumulative, so that if in any year the amount of the net earnings shall be insufficient to permit of the transfer to such fund of the full amount specified, or for any other reason such amount shall not be set aside and credited to the sinking fund, the deficiency shall be made good out of the net earnings of the next succeeding fiscal year or years before any dividend is set apart for or paid upon the common stock.

All moneys credited to the preferred stock sinking fund so created shall be applied as promptly as practicable, under suitable regulations to the purchase or redemption of the bonds of the Subsidiary Companies or preferred stock of the California Petroleum Corporation from time to time outstanding, provided that all such purchases shall be at the lowest price at which they can reasonably be obtained, not exceeding, however, in case of preferred stock, 120% of par and accrued dividends, or in case of the bonds, the redeemable price.

In case sufficient bonds or preferred stock to exhaust the moneys in the sinking fund shall not be purchased at or below said prices, the balance of the said moneys shall be applied to the re-
75 demption of said preferred stock at the redemption price
above named, and may be so applied together with other funds of the Company, whenever the Company shall determine to exercise its right of partial redemption.

The moneys in the sinking fund shall not be required to be actually withdrawn from the business of the Company until the actual application thereof to the purchase or redemption of bonds and shares of the preferred stock; but such moneys shall not be made the basis of a stock or cash dividend, or otherwise distributed among the holders of the common stock, nor shall said sinking fund be depleted, nor be used in any way which will interfere with the application thereof to the purchase or redemption of bonds and shares of the preferred stock as above provided.

Without the affirmative vote or written consent of at least three-fourths in amount of the preferred stock the corporation shall have no power; (1) to change, either by increase, diminution, or otherwise, the voting powers of either class of stock; (2) to sell or otherwise dispose of by conveyance, transfer, lease, mortgage, or other-

wise turn over the property, franchise and business of the corporation in their entirety or any stocks of American Oilfields or
76 American Petroleum Companies; (3) to create or to permit any subsidiary company to create, any mortgage or other lien upon its real or personal bonds under any present mortgage; (4) to create or issue any shares of stock which shall take priority over, or any additional shares of stock which shall be on a parity with, the said authorized $15,000,000 of preferred stock; (5) to issue any of the additional authorized preferred stock over and above $12,000,000 thereof, unless the net earnings of the company applicable to dividends on the preferred stock for the last preceding fiscal year or the last preceding twelve calendar months shall be equal to twice the annual dividends on the outstanding preferred stock, including the new preferred stock to be so issued.

The preferred stock shall have no voting power unless and until the Company shall fail to pay four quarterly dividends thereon, in which case and so long as there shall be any arrearages of dividends due and unpaid upon the preferred stock, the holders of the preferred stock voting as a class shall have the power to elect a majority of the Board of Directors of the Company, the remaining members of said board being elected by the holders of the common stock voting as a class.

(Signed)

C. A. C.
E. L. D.

77 SCHEDULE "B."

It is agreed that, subject to the approval by Salomon & Company of London, Schedule A and the letter to the Bond of Directors of the California Petroleum Corporation hereto annexed, shall be amended as follows:

1. The amount of authorized preferred stock will be $17,500,000 instead of $15,000,000, of which $2,500,000 can only be issued to acquire additional income producing oil properties.

2. No preferred stock in excess of $12,500,000 shall be issued before October 1st, 1913, without the consent of William Salomon & Company, but otherwise no restrictions apply during this period except provision No. 1 above.

3. It is understood that the preferred stock will, participate equally with the common in any dividends in excess of seven per cent. declared on the common during any fiscal year without reference to the fact that the common may not have received seven per cent. cumulative from the organization of the Company.

4. It is understood that the Company is to have the right to pay common stock dividends partly in cash and partly in stock without the preferred stockholders having the right to require that any part of such common stock issue should be distributed to them un-
78 less the aggregate of cash and stock dividends upon the common stock in any fiscal year exceeds seven per cent., in which

event that part of the dividend paid in stock shall be regarded as the excess dividend.

(Signed) E. L. D.
(Signed) C. A. C.

79 *Money Trust Investigation.*

Subcommittee of the Committee on Banking and Currency.

House of Representatives,
Washington, D. C., Tuesday, *January* 7, 1913.

The subcommittee met at 11 o'clock a. m.

Present: Messrs. Pujo (Chairman), Heald, Stephens, Hayes and Guernsey.

Present also: Samuel Untermyer, Esq., of New York City, counsel for the committee and G. Carroll Todd, Esq., assistant counsel for the committee.

The Chairman: The committee will now come to order and the testimony will be resumed.

80 *Testimony of Mr. G. G. Henry (Continued).*

Mr. Untermyer: After entering into this agreement with Doheny & Canfield, which you have produced here, did you or your firm of William Salomon & Company make any agreement with Hallgarten & Company or Lewisohn Brothers, or either of them, in
81 writing?

Mr. Henry: We wrote a letter to Lewisohn Brothers. Whether we did to Hallgarten or not I could not say. I think we did, and the letter was sent back, for certain changes. After that I do not think we ever confirmed that in writing, with them.

Mr. Untermyer: You were subpœnaed to produce all the documents bearing on this transaction. Have you looked to ascertain whether you have any agreement, by letter or otherwise, with the gentlemen or firms with whom you were associated in this enterprise?

Mr. Henry: Mr. Lewisohn produced that himself, Mr. Untermyer. You have already the documents that relate to our contract with them, as I understand it.

Mr. Untermyer: The letter written to Messrs. Lewisohn, giving them a participation, is the only writing that there was between you, was it?

Mr. Henry: I do not know which participation you refer to, Mr. Untermyer. There were two.

Mr. Untermyer: In the California Petroleum Company.

Mr. Henry: There was one in the syndicate and one in the original banking group. Messrs. Lewisohn Brothers got two letters from us, one to participate in the original banking group and the
82 other to participate in the syndicate.

Mr. Untermyer: Those two letters constitute the only writings between you?

Mr. Henry: Yes.

Mr. Untermyer: There was no formal contract?

Mr. Henry: No; nothing except the exchange of letters.

Mr. Untermyer: With respect to the participation of Hallgarten & Company, was there any writing whatever?

Mr. Henry: My impression about that is that we wrote a letter to them and, because of certain changes in their firm that were taking place at that time, they held the letter over until after a certain time.

Mr. Untermyer: There has been no letter——

Mr. Henry: To participate, no; I think not. I am testifying from memory there, but I do not think our files have any record of any contract between ourselves and Hallgarten. It was all done as a matter of word of mouth—orally.

Mr. Untermyer: What was the arrangement, then, with respect to the participation of these other firms in this California Petroleum transaction?

Mr. Henry: It was handled in this way. We made the contract with Doheny & Canfield.

Mr. Untermyer: What was their participation? What
83 interest did they acquire?

Mr. Henry: There was one firm whose name has not been mentioned that had a participation of 12½ per cent.

Mr. Untermyer: Who was that?

Mr. Henry: I do not want to say.

Mr. Untermyer: Why should you refuse to state who your partners were in this enterprise?

Mr. Henry: Because we told them, at the time, that their names would not appear publicly.

Mr. Untermyer: What is that?

Mr. Henry: Because we told them at the time that their names would not appear publicly in the transaction. It is a matter of more or less common knowledge, I think, as to who the house was, but their name was not to appear publicly, and I do not feel at liberty to disclose it.

Mr. Untermyer: If it is a matter of common knowledge, and they were your partners in this enterprise, have you any reason for not stating who your partners were, other than that you had told them that you would not disclose their names?

Mr. Henry: No; I have no other reason. We are not ashamed of them, and I do not think they are ashamed of us.

Mr. Untermyer: Then there is no reason why you should
84 not tell us?

Mr. Henry: Except that it is a matter—and it is a very common matter, as you know, in Wall Street, Mr. Untermyer—where certain people have assumed public responsibility for a deal, and others have not; others having a silent participation in the transaction, where their name does not appear. That was this case.

Mr. Untermyer: They were willing to take a profit, but they were not willing to assume responsibility for the integrity and merits of the enterprise? Is that what you mean?

Mr. Henry: I did not imply that, no. They did not know very much about it. They took an interest from us, because we told them it was a good thing. They were glad to take it, and wanted more, as a matter of fact.

Mr. Untermyer: Is that a corporation or a partnership?

Mr. Henry: It is a partnership.

Mr. Untermyer: Have you asked their permission to disclose their names, since this transaction has come before the committee?

Mr. Henry: I have not.

Mr. Untermyer: Have you any reason to believe that they would withhold their consent to your making the disclosure?

85 Mr. Henry: I do not think so. I have no reason to suppose they would.

Mr. Untermyer: We will pass that for a moment. We will come back to that again, later.

What participation did Lewisohn Brothers and Hallgarten & Company have in the transaction?

Mr. Henry: After taking out 12½ per cent for this firm I have just spoken of, Hallgarten & Company and Lewisohn Brothers and ourselves divided the balance of the stock, which gave us each an interest of 29 1/66 per cent in it. Then we charged Lewisohn Brothers, and we also charged the other house that had the 12½ per cent, ten per cent of their profits, because of our originating the business. We made Hallgarten no such charge, because they assumed the management of the syndicate with us.

Mr. Untermyer: On the other hand, did Lewisohn Brothers make a charge for managing the Stock Exchange end of the thing?

Mr. Henry: No sir; nothing except the ordinary minimum commission.

Mr. Untermyer: They charged commissions?

Mr. Henry: You have to do that, according to the rules of the New York Stock Exchange.

Mr. Untermyer: That is not what I asked you. The *The*
86 fact is that Lewisohn Brothers did charge for their services in looking after the Stock Exchange end of the transaction?

Mr. Henry: They charged the minimum commission,—I think one thirty-second of one per cent.

87 Mr. Untermyer: You mean the minimum commission chargeable in transactions between stock exchange houses?

Mr. Henry: Yes.

Mr. Untermyer: And you were all stock exchange houses?

Mr. Henry: I think so, yes sir. I do not know whether the other two are members of the Exchange or not; I really do not know whether Hallgarten & Company are members of the Exchange or not. I think they are.

Mr. Untermyer: Having entered into this arrangement for the acquisition of this $10,000,000 of preferred stock and $7,500,000, I think it was——

Mr. Henry: Approximately.

Mr. Untermyer: Of common stock in the California Petroleum

Company, what did you gentlemen next do with respect to marketing the securities that you had so bought?

Mr. Henry: Well, there were a good many operations that took place all simultaneously. I might take them up in logical order, although they do not necessarily rank that way chronologically. The first thing we did was to form two syndicates, or rather one in this country and sell to a foreign syndicate a certain amount of stock. We formed a syndicate in this country to take $5,000,000 of preferred and $2,500,000 of common for $5,000,000 plus the accrued dividend on the preferred stock, and we also sold to
88 a London syndicate the same amount, $5,000,000 of preferred and $2,500,000 of common, for $5,000,000 plus the accrued dividend on the preferred.

Mr. Untermyer: Having formed those two syndicates, that left you and your associates with a cash profit and a stock profit on the transaction from the original purchase of how much up to this point?

Mr. Henry: $1,784,338 in cash.

Mr. Untermyer: And how much stock?

Mr. Henry: 25,729 shares of common stock.

Mr. Untermyer: That is 2,000,000——

Mr. Henry: $2,572,846.

Mr. Untermyer: Did you and your associates also become members of these sub-syndicates or either of them?

Mr. Henry: We did in the New York syndicate.

Mr. Untermyer: And that syndicate was made up of how many people, the New York syndicate of $5,000,000 preferred and $2,500,000 common stock for $5,000,000?

Mr. Henry: There were 103 participants in that syndicate.

Mr. Untermyer: 103?

Mr. Henry: Not counting ourselves; 104 counting our-
89 selves.

Mr. Untermyer: How many of them were corporations?

Mr. Henry: There were three corporations; and there may have been some incorporated firms. A great many banking firms as you know, are incorporated. Whether some of these firms as we know them, dealers in securities, are incorporated or not I do not know, but I take it you mean how many institutions. There were three institutions.

Mr. Untermyer: There were three banking institutions?

Mr. Henry: There were three banking institutions.

Mr. Untermyer: In the City of New York?

Mr. Henry: No sir.

Mr. Untermyer: There were none of them in the City of New York?

Mr. Henry: There were two in New York and one outside.

Mr. Undermyer: Were there officers of National banks in the syndicate?

Mr. Henry: There were.

Mr. Untermyer: How many officers of national banks were there in this $5,000,000 syndicate?

Mr. Henry: There were fifteen officers of seven national banks, of which four were in the city of New York and three outside, and they had a total interest——

Mr. Untermyer: You mean four banks were in the city
90 and three outside?

Mr. Henry: Yes sir.

Mr. Untermyer: In what cities were the other banks?

Mr. Henry: They were in Chicago and Detroit, I think; two in Chicago and one in Detroit, as I remember it.

Mr. Untermyer: Were there any officers of banks or trust companies in New York City other than national banks, and if so, how many officers of other banks and trust companies were members of that syndicate?

Mr. Henry: Just in New York City?

Mr. Untermyer: Yes.

Mr. Henry: I have not got it separated here. There were six officers in four trust companies.

Mr. Untermyer: Six officers in four trust companies, altogether?

Mr. Henry: Yes; of which three trust companies were in New York and one outside, one in Chicago. There were three officers of state banks outside of New York.

Mr. Untermyer: What were the total participations for syndicate underwritings of the three banking institutions in New York City?

Mr. Henry: I did not say there were three banking institutions in New York.

Mr. Untermyer: I think you said there were two in New
91 York and one outside, did you not?

Mr. Henry: Yes sir.

Mr. Untermyer: What was the total participation of those three institutions?

Mr. Henry: The two in New York had $550,000.

Mr. Untermyer: Did one of them have $500,000?

Mr. Henry: Yes. One of them had $500,000.

Mr. Untermyer: And the one outside had how much participation in the syndicate?

Mr. Henry: I am testifying from memory, Mr. Untermyer. I believe it was $50,000.

Mr. Untermyer: What participations did the trust companies in New York have?

Mr. Henry: There was only one trust company, which had a participation of $50,000.

Mr. Untermyer: Did the officers of that trust company have a participation?

Mr. Henry: No sir.

Mr. Untermyer: What banks—were there banks in New York that had a participation?

Mr. Henry: No banks at all.

Mr. Untermyer: How about the participation of the national bank that was outside of New York City, and the other banks
92 and trust companies outside? What did they amount to?

Mr. Henry: I did not say that any bank outside of New York City had a participation.

Mr. Untermyer: I thought you said one banking institution outside of New York had a participation.

Mr. Henry: It is not a bank, it is a corporation, it is an institution.

Mr. Untermyer: It is a security company attached to a bank in Chicago.

Mr. Henry: I did not say it was in Chicago.

Mr. Untermyer: I ask you.

Mr. Henry: No, it is not in Chicago.

Mr. Untermyer: Well, it is a security company attached to a bank, I think you said in Detroit.

Mr. Henry: No, I did not say Detroit.

Mr. Untermyer: Regardless of where it is, is it a security company attached to a bank after the fashion of the First Security and the First National?

Mr. Henry: I know really very little about the relations between this corporation and the bank, to which, as you guess, it is attached. It has some kind of connection, but I do not know much about it. I really do not know enough about it to testify.

Mr. Untermyer: Well, you know the name of it, do you
93 not?

Mr. Henry: Yes; I know the name of it.

Mr. Untermyer: Is it a security company?

Mr. Henry: I do not know just what you mean by a security company.

Mr. Untermyer: Has it the name of Security company?

Mr. Henry: No, it has not.

Mr. Untermyer: It has not?

Mr. Henry: No.

Mr. Untermyer: Have you stated all the participations of banking institutions in this syndicate, that is the amounts?

Mr. Henry: I think so.

Mr. Untermyer: And what do they amount to in all, banking participations, of banking institutions in this syndicate?

Mr. Henry: You mean just the institutions themselves?

Mr. Untermyer: Yes. I am not speaking of the officers now.

Mr. Henry: I understand. $600,000.

Mr. Untermyer: What?

Mr. Henry: $600,000.

Mr. Untermyer: Give me the aggregate number of officers of banking institutions to whom you gave participations in this syndicate.

Mr. Henry: Twenty four.

94 Mr. Untermyer: Twenty-four bank officers?

Mr. Henry: Yes sir.

Mr. Untermyer: Of whom how many were in the City of New York?

Mr. Henry: I have not got that here. I can guess at that if you want.

Mr. Untermyer: No, I think we would rather not have you guess. You know who they are, do you not?

Mr. Henry: I know who they are.

Mr. Untermyer: Yes. Suppose you just tell us how many are in New York connected with New York banks, that were also members of the syndicate.

Mr. Henry: I have not got that list with me here. I have not the list of the syndicate here.

Mr. Untermyer: Were there banking officers and officers of trust companies to whom your firm gave participations in this syndicate whose banks or banking institutions were not underwriters.

Mr. Henry: Will you repeat that question?

(The question was repeated by the stenographer as above recorded.)

Mr. Henry: There were, yes sir.

Mr. Untermyer: Have you any means of separating the number of bank officers to whom you gave participations, whose banks
95 and banking institutions were not underwriters, and the number of banking officers whose institutions were underwriters?

Mr. Henry: I have not any way of doing that accurately here, no.

Mr. Untermyer: I will ask you again to tell the committee the number of officers of banks in the City of New York who were underwriters in this syndicate.

Mr. Henry: I have not the information here that will enable me to answer that question, Mr. Untermyer.

Mr. Untermyer: Will you read the question again.

(The question was read by the stenographer as above recorded.)

Mr. Henry: I have only got a total here covering New York and outside. I am not seeking to keep back anything; I am just not able to state accurately. I should guess possibly there were twenty-four, two-thirds inside the city and one-third outside.

Mr. Untermyer: Sixteen in New York and the others in Chicago and Detroit.

Mr. Henry: That is my idea, and elsewhere.

Mr. Untermyer: What other cities.

96 Mr. Henry: Milwaukee.

Mr. Untermyer: You will furnish us that information, will you not?

Mr. Henry: You mean the exact number?

Mr. Untermyer: Yes, the exact number.

Mr. Henry: I see no objection to that.

Mr. Untermyer: Will you furnish it tomorrow? Will you send it to the committee?

Mr. Henry: I think I can furnish it today if you want it.

Mr. Untermyer: Yes; if you will. Where will you get the data from which to furnish it today?

Mr. Henry: Telephone to my office.

Mr. Untermyer: What was the total amount of underwriting participations that your firm gave to these bank officers?

Mr. Henry: $535,000.

Mr. Untermyer: Divided between the 24 officers?

Mr. Henry: Yes.

Mr. Untermyer: What was the largest amount to any one of them?

Mr. Henry: $50,000, I think.

Mr. Untermyer: Was that to a New York officer?

Mr. Henry: Yes.

97 Mr. Untermyer: To a man who is an officer of a New York national bank?

Mr. Henry: Yes.

Mr. Untermyer: Was that participation given to the officer of the institution in New York that underwrote $500,000?

Mr. Henry: No sir.

Mr. Untermyer: Was it given to an officer of an institution that did any of the underwriting?

Mr. Henry: No sir; that institution did not do any underwriting.

Mr. Untermyer: The officer did not?

Mr. Henry: No.

Mr. Untermyer: Was that a national bank?

Mr. Henry: That is a national bank.

Mr. Untermyer: And one of our largest national banks, is it not?

Mr. Henry: Well, large is a relative term, Mr. Untermyer.

Mr. Untermyer: Well, was it a national bank with resources of over $100,000,000.

Mr. Henry: I do not know what their resources are.

Mr. Untermyer: Can you give us any idea.

98 Mr. Henry: It is a big bank. All the Wall Street banks are big banks.

Mr. Untermyer: It was a Wall Street bank, was it?

Mr. Henry: It was a Wall Street bank.

Mr. Untermyer: A Wall Street bank that loans on collateral.

Mr. Henry: Surely it loans on collateral.

Mr. Untermyer: It loans money on the Stock Exchange?

Mr. Henry: I do not know whether it does or not.

Mr. Untermyer: You do not know whether this bank is a lender on the Stock Exchange.

Mr. Henry: I do not know whether it is directly.

Mr. Untermyer: Sir.

Mr. Henry: I do not know whether it loans money directly on the Stock Exchange.

Mr. Untermyer: You know the business of lending money on the Stock Exchange, do you not?

Mr. Henry: Something about it.

Mr. Untermyer: You know that the large lenders of money among the banks on the Stock Exchange are numerous?

Mr. Henry: A great many I understand loan privately over the telephone.

Mr. Untermyer: They loan to stock brokers over the tele-
99 phone and on the Board?

Mr. Henry: Yes.

Mr. Untermyer: You do not know whether this bank is a lender on the Stock Exchange?

Mr. Henry: It loans lots of money, I do not know whether it loans its money on the board or privately over the telephone.

Mr. Untermyer: You do not know but what it loans it at the loan stand on the Stock Exchange?

Mr. Henry: No.

Mr. Untermyer: Then as I understand it you allowed participation in this underwriting syndicate to banking institutions and officers of banks together amounting to about $1,100,000 of the $10,000,000, the total underwriting?

Mr. Henry: I should say $1,085,000.

Mr. Untermyer: Is it a usual thing, Mr. Henry, in transactions of this kind, to give participations to officers of national banks and trust companies in New York and elsewhere?

Mr. Henry: I think so. We have on our syndicate list—this list was made up in our office from our regular syndicate lists, just as all of our syndicates are made up, and we have on our lists officers and directors of all kinds of financial institutions. They are
100 usually prominent and influential people whom one wants to have associated with him in matters of this kind.

Mr. Untermyer: When you say you have on your syndicate list the names of certain officers of national banks, do you mean by that that you keep a list of men to whom you offer participation in your syndicates?

Mr. Henry: We keep three such lists in our office.

Mr. Untermyer: How do you divide them?

Mr. Henry: How do you mean?

Mr. Untermyer: You say there are three such lists. Do you mean some for a small issue, and some for a larger issue?

Mr. Henry: Yes; divided partly as to size, and partly as to the character of the business.

Mr. Untermyer: And on all those lists you have the names of officers of the national banks and other banking institutions as people to whom you offer participations in your syndicates?

Mr. Henry: I think that bank officers and trust company men and so on are on all these lists. I am not sure, but I think so.

Mr. Untermyer: You also have the banks and trust companies themselves on the lists?

101 Mr. Henry: Yes.

Mr. Untermyer: So that it is not unusual, is it, in forming your syndicates, to give participation to a national bank, or to give participations to the officers of that bank?

Mr. Henry: Sometimes they are in on the same syndicates and sometimes in different syndicates.

Mr. Untermyer: But it is not unusual to give the officers and the banks participations?

Mr. Henry: No, not unusual.

Mr. Untermyer: And you do not think there is anything improper in it?

Mr. Henry: If we did, we would not do it.

Mr. Untermyer: I say you do not think so?

Mr. Henry: No.

Mr. Untermyer: But you do not want to disclose the names of the banks or officers concerned in the transaction, do you?

Mr. Henry: I do not think it is honorable, Mr. Untermyer, for me to give up the names of our participants.

Mr. Untermyer: Then I say, you do not want to do it.

Mr. Henry: No.

Mr. Untermyer: Have you asked their permission?

102 Mr. Henry: No.

Mr. Untermyer: You have known that question would be presented to you?

Mr. Henry: Yes.

Mr. Untermyer: And have been so informed.

Mr. Henry: Yes.

Mr. Untermyer: And if there is nothing dishonorable or improper in the fact of officers of national banks participating in the syndicate, in securities that are to be listed on the Exchange, and on which banks are to loan money, why do you hesitate to state their names?

Mr. Henry: Because the relations between the banker and his client, while they are not perhaps perfect privileged relations, such as those that exist between a lawyer and his client, or the doctor and his patient, are nevertheless confidential, and it is recognized by all honorable and decent business men that they should not tell the names of their customers unless compelled to do so.

Mr. Untermyer: Would that apply to a national bank?

Mr. Henry: Yes sir.

Mr. Untermyer: You do not think there is anything private about their affairs, do you, the syndicates in which they participate?

103 Mr. Henry: I think it is a distinctly private matter between ourselves and the officers of a national bank, which is a member of one of our syndicates.

Mr. Untermyer: What about the bank itself? Do you think its participation in the syndicate should be regarded as a secret?

Mr. Henry: So far as we are concerned it is one of our customers.

Mr. Untermyer: I say do you think it is to be regarded as a secret?

Mr. Henry: It is not for me to tell it.

Mr. Untermyer: Do you think you should regard it as a secret?

Mr. Henry: So far as my customer is concerned.

Mr. Untermyer: So far as the national bank is concerned.

Mr. Henry: If the bank is one of my customers, yes, I think we ought to keep quiet about it, of course.

Mr. Untermyer: You think you should not disclose the fact or the name of the national bank that is a participant in one of your syndicates?

Mr. Henry: I certainly do.

Mr. Untermyer: You think you should maintain secrecy with respect to the officers of the national bank which takes a
104 participation in a syndicate for the marketing of stock on the Stock Exchange, on which his bank may be called on to lend money.

Mr. Henry: I certainly do.

Mr. Untermyer: Now, let us get a little farther with this transaction and see what its final result was. You say you formed this $5,000,000 syndicate, $5,000,000 of preferred stock and $2,500,000 of common stock for $5,000,000?

Mr. Henry: Plus the accrued interest.

Mr. Untermyer: Well, $5,000,000 and interest on the preferred stock?

Mr. Henry: Yes.

Mr. Untermyer: The accruing dividend?

Mr. Henry: Yes.

Mr. Untermyer: Who marketed those securities in that sub-syndicate of $5,000,000? Were they marketed?

Mr. Henry: They were all marketed before the syndicate was formed, practically.

Mr. Untermyer: I did not ask you that. Were those securities marketed?

Mr. Henry: Yes. They were marketed.

Mr. Untermyer: How?

Mr. Henry: By Salomon & Company, Hallgarten & Com-
105 pany, and Lewisohn Brothers.

Mr. Untermyer: You say you sold that $5,000,000 of preferred stock and $2,500,000 of common stock before you formed that syndicate?

Mr. Henry: No; but before we confirmed the syndicate participations practically all the syndicate stock was sold.

Mr. Untermyer: As I understand you, before you notified your syndicate underwriters that they could have participation in the syndicate, you had already disposed of the syndicate stock for them, had you not?

Mr. Henry: No, sir, not before we notified them they could have a participation. What we did was to offer them a participation and before we got in their replies in most cases the stock was all sold.

Mr. Untermyer: Then, as I understand you, before they agreed to take——

Mr. Henry: Yes; that is it.

Mr. Untermyer: Before they agreed to take stock in your syndicate you had already sold it at a profit?

Mr. Henry: That is it.

Mr. Untermyer: And at how large a profit?

Mr. Henry: Well, it worked out——

Mr. Untermyer: Eleven points, did it not?

Mr. Henry: No; about nine and a fraction. 9.8 per cent.

106 Mr. Untermyer: That was the profit you realized on that syndicate before the people to whom you offered participation had accepted it?

Mr. Henry: Well, the whole profit.

Mr. Untermyer: How much did that amount to, $450,000?

Mr. Henry: In that neighborhood, yes; nearly $500,000.

Mr. Untermyer: Nearly $500,000 profit, and these bank officers then had a fixed profit of over $50,000 before they were called on to accept their allotments?

Mr. Henry: Approximately $50,000?

Mr. Untermyer: So that in effect what they got was a present, was it not?

Mr. Henry: It was, this time.

Mr. Untermyer: Yes it was a present.

Mr. Henry: They do not always go that way.

Mr. Untermyer: No, I would like my questions answered, if you will answer them.

Mr. Henry: I beg your pardon.

Mr. Untermyer: Do you think it a proper thing to put bank officers in the position or have them to put themselves in a position in which they get a large profit on a transaction where they have not even got a legal commitment?

Mr. Henry: They were perfectly ready to take it.

107 Mr. Untermyer: I did not ask you that. Won't you answer that question?

Mr. Henry: I think it was in this case, because they did not know whether they had to make the commitment or not. They did not know we were going to sell the stock so quickly.

Mr. Untermyer: Let us see about that. I understood you to say before they were called upon to say whether they would take a participation or would not you had already realized this profit? Is not that right?

Mr. Henry: I——

Mr. Untermyer: Won't you answer that question?

Mr. Henry: I cannot answer it unless you will allow me to explain exactly how it was. I said this. Before we got replies from a great many of them we had already sold most of the stock. I cannot make a hard and fast statement that we had sold it all, but we sold it all before we heard from many of them.

Mr. Untermyer: Don't you know that is what you have said?

Mr. Henry: No, I do not think I ever did say that.

Mr. Untermyer: Very well.

Mr. Henry: I want to be very specific about this, because I do not want to give a wrong impression here, that is all.

108 Mr. Untermyer: Then you do not understand that you told us that before you had any of the commitments from the syndicate underwriters you had already realized your profit?

Mr. Henry: Practically all of it, so we did, but I think I always said practically. If I did not, I want to put it in now, because I do not know the exact date we received these letters in reply from the last underwriters. When you send out a lot of syndicate letters you will get a lot of replies, and some men will answer more quickly than others. Some man may have sent in his reply the very same day; and in that case before we sold the stock he was committed. Those who did not reply were not committed, because the stock had been sold before we got their reply.

Mr. Untermyer: Have you here the notice you sent out advising the syndicate underwriters that the syndicate stock had been sold?

Mr. Henry: Yes.

Mr. Untermyer: Will you please produce it. Will you at the same time produce the notice of allotment to the underwriters?

Mr. Henry: Yes (producing papers). That is September 21st, that is the letter we sent out offering participation and that
108½ is the letter of September 24th stating the agreement, and this is the letter of October 21st, sending the checks for the profits.

Mr. Untermyer: Will you please mark these, the letters of September 21st and 24th, 1912, and of October 21st, 1912.

(The letters referred to were theseupon marked respectively Exhibits Nos. 160, 161, and 162.)

109 Mr. Untermyer: The syndicate underwriters never paid anything, did they?

Mr. Henry: No, sir.

Mr. Untermyer: They did not put up a cent?

Mr. Henry: They never put up a cent.

Mr. Untermyer: No. And they never had possession of any stock, did they?

Mr. Henry: No, sir. That is, the individuals did not. The syndicate did.

Mr. Untermyer: You mean the syndicate managers, Saloman & Company, did?

Mr. Henry: No; I mean that we kept a record of the syndicate books in our office, and we delivered the stock to the syndicate and sold it out for the syndicate. They were never asked to put up any money, but the stock went through the syndicate's account.

Mr. Untermyer: Did you ever deliver to any of the syndicate participants any of the certificates of stock?

Mr. Henry: No, sir.

Mr. Untermyer: Those were all sold by you, were they not?

Mr. Henry: Yes. They were sold the same day that they
110 were bought. They went right through the books in one day.

Mr. Untermyer: You mean the same day that they were bought by this \$5,000,000 syndicate, they were sold again?

Mr. Henry: They were all sold on the day they were sold to the syndicate so that they went out of the syndicate account the same day that they went into the syndicate account.

Mr. Untermyer: But the market certificate of the stock remained with you?

Mr. Henry: I do not know that I quite follow that, as to just what you mean, Mr. Untermyer.

Mr. Untermyer: The syndicate underwriters never received any of the certificates of stock?

Mr. Henry: No, because the stock had already been sold.

Mr. Untermyer: I understand. It was sold the same day that it was bought. It was sold to another syndicate.

Mr. Henry: Please do not confuse this, Mr. Untermyer. When you have a new security, you know you have a certain delivery day.

Mr. Untermyer: I understand that.

Mr. Henry: (Continuing.) And I think our delivery day was

October 2nd. I can look that up and find out just what it was. I think, however, that it was October 2nd.

111 On October 2nd we debited the syndicate account with that purchase, and credited them with the various sales that were made for the syndicate account. We did not retain any stock. It was sold to the customers, and delivered to those who bought it.

Mr. Untermyer: This stock was sold to another syndicate, was it not?

Mr. Henry: No, sir.

Mr. Untermyer: It was not they did not sell it to another syndicate?

Mr. Henry: No, sir.

Mr. Untermyer: It was sold to individual people?

Mr. Henry: It was sold to individual customers.

Mr. Untermyer: Some of whom were members of the syndicate, and some of whom were not?

Mr. Henry: Yes. Some of the syndicate subscribers were very angry because they did not have an opportunity to buy.

Mr. Untermyer: Did you understand the question? Some of the people to whom you sold were members of the syndicate?

Mr. Henry: A very few of them; yes.

112 Mr. Untermyer: Did any of the bank officers become purchasers of any of that stock?

Mr. Henry: Not that I remember.

Mr. Untermyer: All they did was to take their profits from it?

Mr. Henry: That was all.

Mr. Untermyer: None of them ever saw the stock, did they?

Mr. Henry: You mean none of them ever saw the certificates?

Mr. Untermyer: Yes.

Mr. Henry: I do not think so.

Mr. Untermyer: And none of them ever put up any money?

Mr. Henry: Nor ever put up any money; none of the syndicate did; not only the bank officers, but none of the whole syndicate.

Mr. Untermyer (interposing): Yes; I understand. What became of the European syndicate?

Mr. Henry: I do not know very much about that. We sold the preferred and common stock to them, and they paid for it. That is really about all we know of it. They applied for listing the stock in Paris, and they have got it on the Bourse now, in Paris. They have got a syndicate that is going, over there, now, as far as I know.

113 Mr. Untermyer: But you are not interested in that?

Mr. Henry: We are not interested in that.

Mr. Untermyer: Having now bought this $10,000,000 of preferred and $7,500,000 of common for eight million odd dollars, and having sold it to the two syndicates in the way you have described, did you engage with Messrs. Lewisohn Brothers and Hallgarten & Company in a market operation in this stock on the New York Stock Exchange?

Mr. Henry: No, we have sold——

Mr. Untermyer: I say, did you engage in such an operation, Mr. Henry?

Mr. Henry: Will you not let me tell it in my own way, Mr. Untermyer? I can give a much fairer picture of it if you will allow me to do so.

Mr. Untermyer: If it does not take too long. It is a very simple question—to know whether you engaged in a market operation or did not.

Mr. Henry: After we had sold our own stock—we sold all of our own stock before the stock was listed; I want to make that very plain, because the testimony given here in this same case, before, did not give it right,——

Mr. Untermyer: Now, Mr. Henry, you are not answering my question. We might go on all day in this way. I will ask you to answer my question.

113½ Did you engage with Lewisohn Brothers and Hallgarten & Company in a market operation in the California Petroleum stock, at about this time?

Mr. Henry: After the stock was listed on the Stock Exchange—because we made no market in it up to that time—after the stock was listed on the Stock Exchange we made a market in the stock, and we have ever since——

Mr. Untermyer: When was it listed?

Mr. Henry: It was listed on Saturday, the 5th of October.

Mr. Untermyer: Who prepared the application for listing?

Mr. Henry: The vice-president and the treasurer of the company, in conjunction with the statistician of our office, whose help was engaged because he knew the machinery to go through, and they did not.

Mr. Untermyer: Between the 5th of October, when the stock was listed on the Exchange, and the end of October, who conducted that market operation on behalf of your firm and Hallgarten and Lewisohn Brothers?

Mr. Henry: Lewisohn Brothers.

Mr. Untermyer: For the joint account?

Mr. Henry: For the account of the original banking group.

114 Mr. Untermyer: Was it for the joint account of those three houses, or was it not? That was the question.

Mr. Henry: No; because the other house that had an interest of twelve and a half per cent. was still in it.

Mr. Untermyer: It was for the joint account of the four?

Mr. Henry: The original purchasing group; yes, sir.

Mr. Untermyer: What stock did Lewisohn Brothers have to market?

Mr. Henry: They did not have any stock to market.

Mr. Untermyer: They had none of your stock, had they?

Mr. Henry: All the syndicate stock was sold, and all of ours had been sold.

Mr. Untermyer: It had all been sold?

Mr. Henry: Every share of the stock had been sold before the stock was listed.

Mr. Untermyer: Whose stock were they buying and selling for this joint account?

Mr. Henry: They were buying and selling stock that people offered to sell or offered to buy, on the Stock Exchange.

Mr. Untermyer: What was the purpose of this market operation engaged in by you four gentlemen or your four houses with
115 respect to the stock, when none of you owned any stock?

Mr. Henry: It was in order to make a market for the stock.

Mr. Untermyer: Do you mean that it was done in order to make an apparent activity in it?

Mr. Henry: Not in order to make an apparent activity in it, but to have somebody there always to buy if anybody wanted to sell it, and somebody there always to sell, if anybody wanted to buy it.

Mr. Untermyer: Do you not know, Mr. Henry, that the market operator-, Lewisohn Brothers, were doing the buying and selling themselves every day?

Mr. Henry: Surely.

Mr. Untermyer: In other words, they were putting in orders to buy and orders to sell?

Mr. Henry: Certainly.

Mr. Untermyer: Every morning?

Mr. Henry: Certainly.

Mr. Untermyer: And you were a party to that?

Mr. Henry: They were acting under our general direction.

Mr. Untermyer: Every morning they would give orders to certain brokers to buy and orders to certain brokes to sell?

116 Mr. Henry: They would put in selling orders on a scale up and buying orders on a scale down.

Mr. Untermyer: Yes.

Mr. Henry: That is done to steady the price of the stock.

Mr. Untermyer: You think so? It is done to make an appearance of activity in the stock, is it not?

Mr. Henry: No, sir. It is done to steady the price of the stock.

Mr. Untermyer: Why should you, for instance, give orders to a half a dozen brokers or more to buy a given amount of stock, and orders at the same time, to sell stock, with the idea that you would not, at the end of the day, have any stock either bought or sold?

Mr. Henry: Will you let me answer that in my own way?

Mr. Untermyer: Yes.

Mr. Henry: When a new stock is put on the Exchange, on any great exchange like the New York Stock Exchange, there is one thing that is very necessary, and that is that its price shall be steadied. When you have no active market in a stock, when you are building up an active market in a new stock, the first thing a banking
117 house does, what it wants to do and what it must do, whether it makes a profit or a loss out of it, is to steady the price of the stock. If people come in to buy six or seven thousand shares of stock, and there is not much around, if they do not sell the stock it will be bid away up and have a big advance. On the other hand, if somebody comes in to sell six or seven thousand shares, and there

are no large buying orders in there, the price of the stock is going to be a great deal lower than it would be otherwise. If you put in buying orders on a scale down, and selling orders on a scale up, the effect of that is to steady the price of the stock. Its fluctuation is not as violent or as wide as it would be otherwise.

Mr. Untermyer: You are a believer, then, in manipulation, Mr. Henry?

Mr. Henry: I do not know anything about manipulation.

Mr. Untermyer: Is not the process you have just described the process of manipulation?

Mr. Henry: I do not think so.

Mr. Untermyer: You say you do not know anything about it?

Mr. Henry: I do not think the process I have just described is what is usually termed manipulation.

118 Mr. Untermyer: If a banking house wants to protect a new stock, why does it not simply buy that stock from outsiders who offer it, instead of trading in it by buying and selling itself?

Mr. Henry: Because you can not make only one side of a market. You have to make both sides of the market.

Mr. Untermyer: And why can it not buy that stock and sell it, when it is acquired, instead of putting in orders every day—buying orders on a scale and selling orders on a scale, for the purpose of creating an apparent activity in that stock which does not exist?

Mr. Henry: It does not do anything of the kind, Mr. Untermyer.

Mr. Untermyer: Do you not know, Mr. Henry, that when you are trying to make a market for a stock in that way, by putting in buying and selling orders by different brokers, for the same house, that you are creating a fictitious appearance of activity?

Mr. Henry: You would be if they were at the same price.

Mr. Untermyer: But even if there is a difference of one-eighth in the price?

Mr. Henry: Not an eighth. If you put in a scale of
119 selling orders above a price, and a scale of buying orders below a price, I see no manipulation about that.

Mr. Untermyer: You see no manipulation in that, at all?

Mr. Henry: No, sir.

Mr. Untermyer: What do you understand manipulation to be? What is your idea of manipulation?

Mr. Henry: I suppose it might be defined as matching orders.

Mr. Untermyer: Do you not understand, Mr. Henry, that matching orders and manipulation are different things?

Mr. Henry: I know very little about manipulation. I have no personal experience, Mr. Untermyer.

Mr. Untermyer: But that is because you do not think this is manipulation that you have been doing?

Mr. Henry: I do not know what term you want to use. What we have been doing is to steady the price. It is not manipulation.

Mr. Untermyer: Let us see about that. How many shares were dealt in during the month of October by Lewisohn Brothers under this joint arrangement?

Mr. Henry: I could not tell you, but it is a great many.

120 Mr. Untermyer: We have here a statement that during those—I think nineteen or twenty days of October—Lewisohn Brothers, under this joint arrangement, purchased 149,600 shares, and sold 172,900 shares; and I understand you to say, in that connection, that they started without any shares?

Mr. Henry: Yes; we did not have any stock, when we——

Mr. Untermyer (interposing): According to that, they were short; your syndicate operations in this operation were short about 23,000 shares, were they not?

Mr. Henry: No; because we got some stock from Mr. Doheny and Mr. Canfield, later on.

Mr. Untermyer: Do you know whether you made any money in this market operation?

Mr. Henry: I think we lost money in it.

Mr. Untermyer: You think you lost?

Mr. Henry: Yes.

Mr. Untermyer: You expected to lost money, did you not?

Mr. Henry: We did.

Mr. Untermyer: You were in it to lose money?

Mr. Henry: Yes.

Mr. Untermyer: And you were willing to lose money in order to make this appearance of activity in the market?

121 Mr. Henry: Not to make any fictitious appearance of activity.

Mr. Untermyer: You think it was real?

Mr. Henry: We were willing to lose money to give the stock a real market. That is what we have done.

Mr. Untermyer: What is the difference between a real market and a fictitious market?

Mr. Henry: A great deal of difference.

Mr. Untermyer: Explain it.

Mr. Henry: A real market means that if a man has stock to sell, he can go and sell it, and find a buyer who will buy it and pay money for it, and that if he wants to buy, he can go and buy it, and find a seller who will sell it and deliver it to him, and he will be able to give a check and become the owner of it. That is what I mean by a real market. That is what has existed in California Petroleum ever since it has been on the board.

Mr. Untermyer: Suppose this real market has been created at fictitious prices for the stock; that is, by increasing the price of the stock over and above what it would be in a free market, where there was no manipulation?

Mr. Henry: If you come to talk about fictitious prices, Mr. Untermyer, the only thing I am willing to admit is that all these prices have been fictitiously low on California Petroleum.

122 Mr. Untermyer: Never mind about that. We are not discussing the merits of the property at all, but we are discussing the stock market operations in the property.

Mr. Henry: I know, but——

Mr. Untermyer: (Interposing.) At what price did the stock start?

Mr. Henry: We sold all the syndicate stock at 40 and all of our

own stock—we sold 21,185 shares at 40 and 3,043 shares at 45. 45 was the top price that we got for any of our own stock.

Mr. Untermyer: Having sold your stock at 40 and 45——

Mr. Henry: I would like to make a point of that, there——

Mr. Untermyer: Will you not let me finish my question?

Mr. Henry: (Continuing.) Because that has gone in the record wrong.

Mr. Untermyer: I beg your pardon. What is it that you desire to say?

Mr. Henry: I have seen it in every newspaper in New York that we sold out the stock at 70, which is not the case.

Mr. Untermyer: Well, just wait a minute.

123 Mr. Henry: It is not fair to us, in this examination, that a statement should be put out that is not so.

Mr. Untermyer: I am perfectly willing, Mr. Henry, that you should make any statement that you want to make on the subject. Have you stated all that you want to say about it?

Mr. Henry: Thank you. That is all at the moment.

Mr. Untermyer: Having sold your stock, in the way you have stated, you went into the market and bought and sold stock around 70?

Mr. Henry: We did not do any selling to speak of around 70.

Mr. Untermyer: Did you not put in buying and selling orders around 70?

Mr. Henry: We mostly got landed with the stock——

Mr. Untermyer: Will you not answer my question? Do you not know that Messrs. Lewisohn Brothers were operating in the stock around 70, under buying and selling orders?

Mr. Henry: They were operating in it at every price.

Mr. Untermyer: And they were operating in it around 70, were they not?

Mr. Henry: Yes; they were operating in it around 70, and I think, at 72. I do not remember when it sold at 72.

124 Mr. Untermyer: How high did the stock go under this process of buying and selling orders?

Mr. Henry: Under what process of buying and selling orders?

Mr. Untermyer: How high did the stock go?

Mr. Henry: I think the highest price at which the stock was sold was 72 and a fraction.

Mr. Untermyer: When did the stock reach this highest price?

Mr. Henry: I do not remember that. It was shortly after it went on the board.

Mr. Untermyer: In the month of October?

Mr. Henry: Oh, yes.

Mr. Untermyer: At what is it selling now?

Mr. Henry: About 50.

Mr. Untermyer: 50?

Mr. Henry: I think so.

Mr. Untermyer: Meantime the public came in very largely, between 50 and 70, did it not?

Mr. Henry: I suppose so.

Mr. Untermyer: Are you still maintaining this Stock Exchange pool through Lewisohn?

Mr. Henry: What Stock Exchange pool?

125 Mr. Untermyer: Are you still maintaining this joint operation on the Stock Exchange?

Mr. Henry: We are buying and selling it every day for the account of the original banking group.

Mr. Untermyer: Every day?

Mr. Henry: Yes, sir.

Mr. Untermyer: And you are putting in buying and selling orders?

Mr. Henry: Yes, sir. We are doing our best to——

Mr. Untermyer: What are your buying and selling orders now?

Mr. Henry: I could not tell you that. I do not handle that personally.

Mr. Untermyer: I thought you consulted every day about it.

Mr. Henry: No; not every day.

Mr. Untermyer: But you frequently consult about it?

Mr. Henry: Not in this stage of the situation. Their general instructions are to steady the market of the stock, and to put in buying orders below the price and selling orders above it.

Mr. Untermyer: What is the scale? What is the difference between the buying and selling orders from day to day?

126 Mr. Henry: That depends entirely on the market situation.

Mr. Untermyer: Well, what was the scale yesterday, for instance?

Mr. Henry: I do not know. I was down here yesterday.

Mr. Untermyer: What was the scale the last time you knew the graded scale on which they would be put in?

Mr. Henry: A scale like that, Mr. Untermyer, will change half a dozen times a day, depending upon the activity of the market. Sometimes we do it on one-eighth, and sometimes on points and sometimes on half points. The amount you will take at different prices down, and the amount you will take at different prices up depends on the breadth and activity of the rest of the market.

Mr. Untermyer: It depends on the activity of the market in that particular stock, does it not?

Mr. Henry: Not so much upon that as upon the general market. In introducing a new stock, the point you are working at all the time is to have the stock move in accordance with the rest of the market. If the rest of the market goes up, you want your stock to go up, and if the rest of the market goes down, you want your stock to go down.

127 Mr. Untermyer: You want your stock to go with the rest of the market?

Mr. Henry: Yes. You always want it to be a little better that the rest of the market.

Mr. Untermyer: And to put it up or down with the rest of the market?

Mr. Henry: You want it to move naturally.

Mr. Untermyer: Do you call that moving naturally?

Mr. Henry: Yes.

Mr. Untermyer: When you put it up or down?

Mr. Henry: You do not put it up or down.

Mr. Untermyer: Who do you give these orders to let it go with the rest of the market, except to put it up or down with the rest of the market?

Mr. Henry: Because if the rest of the market goes up, you do not want your stock to lag behind, and if the rest of the market goes down, you do not want your stock to stand up as a target, regardless of the rest of the market.

Mr. Untermyer: Why not?

Mr. Henry: Because it is important on the market, when a stock is not thoroughly digested, and especially when it is not strictly an investment stock, but is a semi-speculative stock, that we try to avoid having it held up artificially. We do not want to do
128 anything artificial. If we were to hold it up artificially, that would make a target of it.

Mr. Untermyer: So that you do not consider this operation you have described as having any artificial effect on the market?

Mr. Henry: No, sir.

Mr. Untermyer: Not at all?

Mr. Henry: I think they neutralize——

Mr. Untermyer: (Interposing.) You think the market on that stock would be quite the same—the natural market—if you did not operate in it at all?

Mr. Henry: I will not say that. I think the stock has a much better market, and a wider market today, because we have been operating in it, than it would have if we had not been operating in it.

Mr. Untermyer: That is not the question.

Mr. Henry: And all that has gone to the benefit of the men who own the stock.

Mr. Untermyer: Will you not answer my questions, Mr. Henry?

Mr. Henry: I will try to do so, certainly.

129 Mr. Untermyer: My question is, whether you believe that it is not an artificial interference with the market for you to be operating in this Stock Exchange syndicate?

Mr. Henry: No, sir; I do not think it is.

Mr. Untermyer: You do not?

Mr. Henry: No, sir.

Mr. Untermyer: You feel that the market in California Petroleum would be exactly the same if you and your associates did not maintain this daily operation?

Mr. Henry: No, I do not. I think it would be very different.

Mr. Untermyer: Then, if it would be different, do you not realize, Mr. Henry, that this is an artificial interference with the natural course of the market?

Mr. Henry: No, sir; I do not.

Mr. Untermyer: You do not? Then I do not think I want to ask you any more about that.

To what extent was your firm a participant in the five million dollar syndicate?

Mr. Henry: I do not recollect. We did not have very much. I think it was about a quarter of a million that we kept in it.

Mr. Untermyer: And your associates: Did they have much?

130 Mr. Henry: No, not very much; and none of them had as much as they wanted.

Mr. Untermyer: You formed the syndicate, did you not?

Mr. Henry: Yes.

Mr. Untermyer: And you could take as much as you wanted, could you not?

Mr. Henry: We could, if we——

Mr. Untermyer: I say, you could take as much as you wanted, could you not?

Mr. Henry: If we had decided originally that we would do that.

Mr. Untermyer: You volunteered the statement a moment ago that none of you had as much as you wanted.

Mr. Henry: Yes.

Mr. Untermyer: You had two and a half million dollars of the stock that did not cost you anything, did you not?

Mr. Henry: Of the common stock, you mean?

Mr. Untermyer: Yes.

Mr. Henry: Yes; approximately two and a half million dollars.

Mr. Untermyer: That was the speculative stock, was it not—the common stock?

Mr. Henry: Yes.

131 Mr. Untermyer: That is the stock in which this market was made, largely?

Mr. Henry: Yes.

Mr. Untermyer: And, having two and a half million dollars of the common stock that had cost you nothing, and making up this syndicate yourself, with the right to give yourselves as much as you wanted, do I understand you to say that you did not get as much as you wanted?

Mr. Henry: Yes; because everybody that we offered it to, practically, accepted; so that we were left with less than we hoped we would have.

Mr. Untermyer: That is true of your associates, too, is it?

Mr. Henry: I think so. I think it was true of all of them.

Mr. Untermyer: That being so, and the stock being so much sought after, why did you sell your two and a half million dollars' worth so low, instead of waiting for it to go up?

Mr. Henry: Because we did not want to do that.

Mr. Untermyer: That is all you have to say about it, is it? Have you completed your answer?

Mr. Henry: To this particular question?

132 Mr. Untermyer: Yes.

Mr. Henry: I would like to add this to it: That we did not want the stock to go up as quickly or as violently as it did. We were doing all we could to keep it down. We wanted to have the stock thoroughly digested between 40 and 50. The market took it out of

our hands, however, and ran it up to 70 in spite of us. That is th real situation.

Mr. Untermyer: Let us see about that. This was a property tha was wholly unknown when it went on the Stock Exchange, was i not?

Mr. Henry: I do not know what you mean by "unknown." I do not think it was.

Mr. Untermyer: Was it not, Mr. Henry, an unknown property in the East?

Mr. Henry: Not wholly, no; not among the people who knew. Our operations in this stock went back to just about a year ago. It was a year ago last December——

Mr. Untermyer: Will you not answer my question, Mr. Henry?

Mr. Henry: I am trying to do so.

Mr. Untermyer: This California Petroleum Company was organized in September, 1912, was it not?

133 Mr. Henry: Yes.

Mr. Untermyer: That was a new name, was it not?

Mr. Henry: It was a new name.

Mr. Untermyer: That is what I ask you.

Mr. Henry: Yes.

Mr. Untermyer: The speculators in the Street had never heard of it before, had they?

Mr. Henry: The speculators in the Street?

Mr. Untermyer: Yes.

Mr. Henry: No, I do not think so.

Mr. Untermyer: And the people in the oil business did not know the name "California Petroleum Company," did they?

Mr. Henry: They knew all about the properties, yes, that the California Petroleum Company owned.

Mr. Untermyer: The operations in this stock during the month of October were largely on behalf of the room traders and speculators, were they not?

Mr. Henry: I do not know, really, who contributed most of these transactions.

Mr. Untermyer: How many stockholders are there today on the stock list?

Mr. Henry: Of these two companies?

Mr. Untermyer: No; of the California Petroleum Company

134 Mr. Henry: I think I have that here.

Mr. Untermyer: Let me know. How many stockholders are there today?

Mr. Henry: I do not think I have got that here, after all. Just a moment. I may have it here, too.

Mr. de Gersdorff: We can supply that, Mr. Untermyer.

Mr. Untermyer: I would like to know.

Mr. Henry: I have not got it. I am sorry. I could very readily get that as of——

Mr. Untermyer: You have no recollection of the matter, have you?

Mr. Henry: There were a great many hundred.

Mr. Untermyer: That is very indefinite. I am speaking of the California Petroleum Company, you understand.

Mr. Henry: Yes.

Mr. Untermyer: Have you seen the stock list lately?

Mr. Henry: No, sir; I have not.

Mr. Untermyer: Are there as many as 200 stockholders?

Mr. Henry: I should say there were nearer 2,000.

Mr. Untermyer: But you can not give us the information any more definitely?

Mr. Henry: I can give you the exact number as of, I think it was, the 14th of December, when the books were closed for

135 the dividend.

Mr. Untermyer: That is near enough. How many were there then?

Mr. Henry: I can get it for you.

Mr. Untermyer: Oh. You have not got it in your mind?

Mr. Henry: No. That was the day we closed the books, and the trust company will have a record of that.

Mr. Untermyer: Do you know how much stock was sold between 50 and 70?

Mr. Henry: I can tell you how much we sold?

Mr. Untermyer: Do you mean through Lewisohn Brothers?

Mr. Henry: I mean through our banking group.

Mr. Untermyer: No, no. I mean on the Exchange, how much was sold?

Mr. Henry: No; I have not got that.

Mr. Untermyer: Between those figures?

Mr. Henry: I could not give you that. I think you have that, Mr. Untermyer.

Mr. Untermyer: No.

Mr. Henry: Did not Mr. Lewisohn put that in evidence?

Mr. Untermyer: I do not think so.

Mr. Henry: It would be between about 62½ and 70. I think it went on the Exchange about 62½ or 64, or somewhere

136 around there.

Mr. Untermyer: The Committee desires to know the names of national banks and officers of national banks who participated in this syndicate operation of the California Petroleum Company.

Mr. Henry: Mr. Untermyer, I very greatly regret that I do not feel at liberty to give the committee that information.

Mr. Untermyer: You decline to do so?

Mr. Henry: Yes, sir; I respectfully decline to do so.

137 The Chairman: I will state, as Chairman of the Committee, that it becomes my duty to inform you, Mr. Henry, that your declination to answer this question, which the Committee considers within its jurisdiction under the resolution referring this inquiry to it, will be reported to the general committee as a contempt of the authority of the House, for such action as the entire committee and the House may see fit to take in the premises, if you persist in your declination.

Mr. Henry: Yes, sir; I realize that, Mr. Chairman.

The Chairman: The Committee does not feel that it is asking any question that it has not the right to ask. It has considered the memorandum in your behalf that has been submitted to it, and feels that it is its duty to propound this question, particularly with relation to national banking institutions and officers taking part in this operation, involving securities of corporations doing business between the States.

Mr. Henry: I understand.

Mr. Untermyer: Do you also decline to state the name of the fourth partner in your syndicate?

Mr. Henry: Yes.

Mr. Untermyer (Continuing): Who had an interest of
138 twelve and a half per cent?

Mr. Henry: Yes, I do, Mr. Untermyer.

Mr. Untermyer: Are you a director in this company?

Mr. Henry: I am.

Mr. Untermyer: And a member of the finance committee?

Mr. Henry: Yes, sir.

Mr. Untermyer: And were you such in October, when this stock was put upon the list?

Mr. Henry: I was.

Mr. Untermyer: Are other members of your firm directors?

Mr. Henry: No, sir; I am the only one from our firm.

Mr. Untermyer: When your corporation applied to have this stock listed, were you a member of the finance committee?

Mr. Henry: I was.

Mr. Untermyer: Were you the chairman of that committee?

Mr. Henry: I do not think we have ever elected a chairman.

Mr. Untermyer: Was the application made under your direction?

Mr. Henry: Not directly. It was made by the company.

Mr. Untermyer: But was the application prepared under
139 your direction and that of the statistician of your office?

Mr. Henry: It was prepared by the vice-president and by the treasurer of the company, both of whom were in New York at the time, with such help as they got from our statistician, because he was familiar with the procedure that the listing committee required.

Mr. Untermyer: Did you take part in the preparation of the application?

Mr. Henry: I looked it over after it was finished.

Mr. Untermyer: And did you take it to the Stock Exchange?

Mr. Henry: I appeared before the committee.

Mr. Untermyer: And urged the listing of the security?

Mr. Henry: I requested it; yes, sir.

Mr. Untermyer: You understood, did you not, that when the security was listed it would become available as collateral in stock exchange loans?

Mr. Henry: I supposed it would, after a reasonable length of time, yes.

Mr. Untermyer: Is it not a fact, Mr. Henry, that loans made on

the Stock Exchange are made only on securities that are listed on the Stock Exchange?

Mr. Henry: I think that is the rule; but I do not think
140 it is lived up to.

Mr. Untermyer: That is the rule at the loan stand, is it not, that it has to be all listed Stock Exchange collateral?

Mr. Henry: I think they often put in things that are not listed. I am not familiar with the regulation about it.

Mr. Untermyer: One of your purposes in having the stock listed was to make it available as collateral, was it not?

Mr. Henry: No, sir; that was not one of our purposes.

Mr. Untermyer: It was not?

Mr. Henry: No, sir.

Mr. Untermyer: That had nothing to do with it?

Mr. Henry: That had nothing to do with our purposes in it.

Mr. Untermyer: In order to be readily marketable it had to be listed?

Mr. Henry: It did not have to be. It was all marketed before it was listed.

Mr. Untermyer: No, but in order to be marketable, publicly marketable?

Mr. Henry: Marketable?

Mr. Untermyer: Yes.

141 Mr. Henry: It was much better to have it listed, yes. It was much better to have it listed.

Mr. Untermyer: Do you know of any stock that is readily, freely marketable, that is not a listed stock?

Mr. Henry: I think I probably could recall instances.

Mr. Untermyer: Can you recall any, today, where a stock that is not listed is readily marketable

Mr. Henry: I do not think you would wait very long to get Temple Iron Company stock off your hands, if you had it.

Mr. Untermyer: That is not marketable today, is it?

Mr. Henry: I think it is dissolved.

Mr. Untermyer: Is it marketable? Is there any of it outstanding?

Mr. Henry: I think it has been dissolved.

Mr. Untermyer: Is there any of it outstanding?

Mr. Henry: I do not know whether there is or not.

Mr. Untermyer: Did you ever hear of its being dealt in on the Stock Exchange?

Mr. Henry: When it was not listed?

Mr. Untermyer: Did you ever hear of its being dealt in publicily and having a free market?

Mr. Henry: No; but it always commanded a market. The Temple Iron Company's stock always commanded a market.

142 Mr. Untermyer: It was not a readily, freely marketable stock, was it?

Mr. Henry: Anybody that had it could sell it.

Mr. Untermyer: Was it freely bought and sold and dealt in?

Mr. Henry: Anybody that had it could sell it. I think Atlas

Portland Cement stock is another instance of stock that was quite actively traded in at one time and was never on the Stock Exchange.

Mr. Untermyer: I am asking you to tell me the name of any stock today being dealt in today or this month, that is freely marketable, that is not listed. Can you tell me of one, if there is one?

Mr. Henry: I think the Chicago Elevated Railways preferred would probably be a type of that. Whoever would have that stock would be able to sell it all right.

Mr. Untermyer: Is that a marketable stock, sold from day to day in New York?

Mr. Henry: No; I do not think it is.

Mr. Untermyer: Do you not know what I am asking you about, Mr. Henry?

Mr. Henry: You mean, is there any stock today that has an active market, which is not on the Exchange?

Mr. Untermyer: Yes, that is what I mean.

143 Mr. *Untermyer:* Its activity comparing over the counter and on the curb with that of stock that is listed on the Exchange?

Mr. Untermyer: Do you not know what is active stock?

Mr. Henry: I am trying to see whether I understood you.

Mr. Untermyer: I think you do. You know what active stock is, do you not?

Mr. Henry: There are plenty of stocks on the curb that have an active market.

Mr. Untermyer (interposing): They are listed on the curb, are they not?

Mr. Henry: Some of them are listed on the curb and some of them are not. There is a lot of activity in plenty of stocks which are not on the exchange.

Mr. Untermyer: You want the committee to understand, do you, Mr. Henry, that in applying to have this stock listed you and your associates did not have in mind making it actively marketable?

Mr. Henry: No sir; I do not want to say anything of the kind, because that is just what we did have in mind.

Mr. Untermyer: That is what you did have in mind?

Mr. Henry: Yes.

Mr. Untermyer: *What* is what we have been trying to find

144 out.

You knew, did you not, Mr. Henry, that if the stock was put upon the regular list, it would be quoted on that list, and that those quotations would be carried throughout the country?

Mr. Henry: Yes sir.

Mr. Untermyer: You knew that the quotations of the listed stock of the New York Stock Exchange are carried in the newspapers through the mails, and over the telegraphs throughout the United States?

Mr. Henry: I think so.

Mr. Untermyer: That is all.

Mr. Henry: I would like to read to the committee a memorandum prepared for me by Senator Spooner in regard to my declination

to answer the question propounded to me a little while ago. May I read it?

Mr. Untermyer: Certainly.

Mr. Henry: I declined to answer the question, upon the advice of counsel that the committee is without jurisdiction to require the information called for, upon the grounds:

1. That the subject matter is one in respect to which the Congress s without power to legislate.

2. That the question is an unlawful intrusion into the private affairs of a citizen, under the fourth and fifth amendments

45 to the Constitution of the United States.

3. Generally, that the committee is not lawfully entitled o compel the information called for.

Mr. Untermyer: It is your idea, Mr. Henry, that the participation f national banks and officers of national banks in any syndicate perations affecting securities that are listed on the Stock Exchange nd carried through the mails and over the telegraphs all over the nited States is not a competent subject of Congressional inquiry?

Mr. Henry: No sir; I do not think that that says that; because e have given you, Mr. Untermyer, all the information that it seems me has any bearing on that point. We have said there were no tional banks in; that there were fifteen officers of these national nks in it. We have given you all the information of that kind at it seems to me has any bearing on this thing. I very much pe that the committee will not find it necessary to press that quesn. It seems to me that I have come down here and given you all e information that I can. I have not kept back a thing and have ven the complete story of a very interesting and recent operation the New York Stock Exchange. I have given our profits. I ve given you the terms of our syndicate. I have given you the full machinery of everything in the way *of* the transaction

6 was handled, and I have given you full information as to the composition of the syndicate in so far as the banks and on were in it and were not in it; and I very much hope you l not find it necessary to press for the names asked for.

Mr. Untermyer: Do you not realize, Mr. Henry, that in the ence of the names of the officers of the national banks who have ticipated in this syndicate, a reflection is left upon other officers national banks in New York City who may not engage in that of enterprise?

Ir. Henry: I do not.

Ir. Untermyer: And that it is only just to them that these nes should be given?

Ir. Henry: I do not know anything about——

Ir. Untermyer (continuing): That it is only just that the names ıld be given of those who had anything to do with that sort usiness?

r. Henry: I do not see why there should be any reflection on e who have not gone in, because I do not see any reflection on e who have.

want to make this statement, plainly, that we are not ashamed

of any of those who participated, and we have no reason to suppose that any one of those men would have the slightest hesitation in giving the information that he was a member of the syndi-
147 cate.

Mr. Untermyer: Then why do you not inquire of them and get their permission to give their names?

Mr. Henry: Because I do not think it is a proper thing to do.

Mr. Untermyer: You have had two weeks' notice that the committee would put this question to you.

Mr. Henry: I have; but I do not consider that it is a proper thing for me to do.

Mr. Untermyer: Have you any other reason for not asking their permission to give their names?

Mr. Henry: No; I have no other reason except that I do not think it is the proper thing to do.

148 The Chairman: I want to state that the Committee appreciate the fact that you have testified without evasion, and with a desire on your part to furnish such facts as you consider you should furnish, acting under advice of counsel where you have come to a different conclusion, and the committee also wants to express through its Chairman that it considers it the duty of every citizen who believes in organized government, when summoned, to come here and furnish to the committee such information as he may have relating to a governmental inquiry. And the committee would regret exceedingly that it would have to take action that it has decided to take and submit your name to the full committee for its determination in turn whether the House should be asked to certify your name to the District Attorney, but the committee must exercise its power. Power must be lodged somewhere, and naturally the witness or his counsel cannot be the judge of that power.

Mr. Henry: All right, sir.

Mr. Untermyer: Why do you not ask the permission of these gentlemen to furnish their names?

Mr. Henry: Because I do not think it is a proper thing for us to do.

Mr. Untermyer: Even if they are willing?

Mr. Henry: It is not honorable, and it is not good business.

149 Mr. Untermyer: You say their participation in the syndicate is nothing of which they should be ashamed?

Mr. Henry: Yes.

Mr. Untermyer: Or which they should seek to hide?

Mr. Henry: Most emphatically.

Mr. Untermyer: That being the case, if they agree with you, why do you not inquire and find out whether you can give their names?

Mr. Henry: If they feel as I do about it they may volunteer to do it. I am not going to ask them.

Mr. Untermyer: That is all.

The Chairman: You will get that information here today by telephone, so as not to delay the record?

Mr. Henry: Yes; I will do so, Mr. Chairman.

Mr. Untermyer: Your counsel asks me to inquire of you, Mr. Henry, as to what is the business of the California Petroleum Company. Is it a holding company?

Mr. Henry: The California Petroleum Corporation is the full name of it. It is a holding company.

Mr. Untermyer: And it holds the securities of what companies?

Mr. Henry: The American Petroleum Company and the American Oil Fields Company.

150 Mr. Untermyer: Does it hold all the securities of those companies?

Mr. Henry: No; there is a small amount of stock outstanding.

Mr. Untermyer: But practically all in both cases?

Mr. Henry: It owns about 98 per cent of the stock.

Mr. Untermyer: The business of the American Petroleum Company and the American Oil Fields Company is what?

Mr. Henry: It is the business of producing and selling oil exclusively in the State of California.

Mr. Untermyer: Let us see about that. Which is the producing company and which is the selling company, or are they both producing companies?

Mr. Henry: They are both producing companies.

Mr. Untermyer: Have they refineries?

Mr. Henry: One of them has a topping plant, what we call a topping plant.

Mr. Untermyer: Where is that?

Mr. Henry: In the Midway field.

Mr. Untermyer: In what part of California is that?

Mr. Henry: It is about a third of the way from Los Angeles to San Francisco.

Mr. Untermyer: And does it refine oil there?

151 Mr. Henry: It tops its oil.

Mr. Untermyer: And after the oil is topped, that is, divided into distillate and crude oil?

Mr. Henry: Yes.

Mr. Untermyer: What is done with the distillates?

Mr. Henry: My understanding of that is that all the oil produced by that company is sold to the Producers Agency in the State of California.

Mr. Untermyer: Well, do you know personally?

Mr. Henry: The topping plant has been of such a recent date, we only put it up last month, that I do not know how it disposes of the distillate. I know previous to its installation all the oil that both companies produced was sold in California.

Mr. Untermyer: But now that it produces distillates, don't you know that the oil company disposes of its distillates?

Mr. Henry: I do not think it does.

Mr. Untermyer: Do you know whether it does or not?

Mr. Henry: No, but I do not think it does.

Mr. Untermyer: Do you know whether it disposes of those distillates all over the United States?

Mr. Henry: I am sure it does not do that.

Mr. Untermyer: Where does it dispose of its distillates?

Mr. Henry: In the State of California.

152 Mr. Untermyer: To whom?

Mr. Henry: To one of the big companies.

Mr. Untermyer: But to what company?

Mr. Henry: There are three or four companies, the Union——

Mr. Untermyer: To which company does it sell them? since you say you know it.

Mr. Henry: I think it sells to the Producers Agency.

Mr. Untermyer: But you do not know?

Mr. Henry: I do not know, because it has only been started six weeks ago.

Mr. Untermyer: Have you any pipe lines?

Mr. Henry: No; except field lines.

Mr. Untermyer: You have pipe lines in the fields?

Mr. Henry: Just a gathering system to turn it over to the main company.

Mr. Untermyer: To what pipe line do you turn over your crude oil as turned over by your gathering lines in that field?

Mr. Henry: The American Petroleum Company, all of the oil is sold to the Agency Oil Company and——

Mr. Untermyer: Is that under a written contract?

Mr. Henry: Under contract for all we produce.

Mr. Untermyer: Deliverable at its refineries?

153 Mr. Henry: No, they buy it from us in the field.

Mr. Untermyer: Are those transactions of record, by written agreements?

Mr. Henry: Yes.

Mr. Untermyer: Have you them?

Mr. Henry: I have not them here.

Mr. Untermyer: But you have them?

Mr. Henry: I have not them in New York. They are out in California.

Mr. Untermyer: Will you furnish them to the committee, rather than to have us rely upon the vague knowledge or impression of yourself?

Mr. Henry: I can furnish the facts to you.

Mr. Untermyer: Can you not furnish the contracts?

Mr. Henry: I have not got the contracts, Mr. Untermyer.

Mr. Untermyer: Can you not get them? You are a director of the company and the head of the finance committee.

Mr. Henry: I can furnish the facts to you.

Mr. Untermyer: No, I am asking you now for the contracts. They will tell us the facts, will they not?

Mr. Henry: Yes, but there may be a great many other things in the contracts that have nothing to do with your inquiry.

Mr. Untermyer: Never mind about that. If your oil is
154 handled under a contract in writing the question is whether you will furnish us that contract.

Mr. Henry: There may be a great many other things in the contract that our company will not feel it is good business to disclose.

Mr. Untermyer: You will not tell us whether or not you will furnish them, or that you cannot get them?

Mr. Henry: I cannot tell you I will or will not, because I do not know whether I can get them or not.

Mr. Untermyer: That is all, unless there is something else you want to say.

Mr. Henry: I would like to talk a little about my stock, but——

Mr. Untermyer: No, this is not the place to boom stocks.

Mr. Henry: It ought not to be the place, Mr. Untermyer.

Mr. Untermyer: That is all.

Mr. Henry: All right, sir.

(Witness excused.)

155 (Exhibit No. 160, Jan. 7, 1913.)

William Salomon & Co.,
25, Broad Street,
New York.

Hallgarten & Co.,
New York.

Confidential.

September 21, 1912.

California Petroleum Corporation Stock Syndicate.

—— ——.

Dear Sir: We are forming a Syndicate of which we shall be managers, and in which we shall participate, to purchase from us \$5,000,000 par value, Preferred stock of the California Petroleum Corporation and \$2,500,000, par value, Common stock voting trust certificates, for the sum of \$5,000,000 cash and accrued dividend on the Preferred stock.

We have reserved for you a participation in this Syndicate of \$— cash and accrued dividend, representing the equivalent of the purchase price by the Syndicate of \$— par value, Preferred Stock and \$— par value, Common Stock.

156 The Syndicate is to continue until April 1, 1913, unless sooner terminated by us in our discretion. We shall make no charge to the Syndicate for our services as Managers, but shall be entitled to retain for our own benefit, the difference in Common stock and cash between the price to the Syndicate and the price paid by us. We have arranged for the formation of other Syndicates in London and Paris to purchase further amounts of the Preferred and Common stock from us on the same terms.

Both the Preferred and Common stocks are to remain syndicated for sale under our management, the Preferred stock not to be sold at less than 91½ and accrued dividend, nor the Common stock at less than 40.

We hand you herewith copy of a letter which we have received under date of September 20, 1912, from Messrs. E. L. Doheny and C. A. Canfield, describing the California Petroleum Corporation to be organized and its stocks, with certain other data, and also a letter from Dr. Ralph Arnold, dated August 13, 1912, concerning the same. We are further sending you under separate cover, a complete copy of Dr. Arnold's report to us upon the controlled properties, together with maps and photographs.

The accounts of the controlled properties were audited for us by Messrs. Price, Waterhouse & Co., Chartered Accountants.

157 All legal matters in connection with the new corporation are under the supervision of our counsel Messrs. Cravath, Henderson & de Gersdorff, for whom the titles to the proven properties have been passed upon by H. W. O'Melveny, Esq., of Messrs. O'Melveny Stevens & Milliken, of Los Angeles, California.

Please advise us promptly if you desire to accept this participation and in due course we will send you formal confirmation, together with copies of the Syndicate Agreement for your signature and files.

Yours truly,

—— ——,
—— ——,
Syndicate Managers.

158 (EXHIBIT No. 161, JAN. 7, 1913.)

William Salomon & Co.,
25 Broad Street,
New York.

Hallgarten & Co.,
5 Nassau Street,
New York.

Confidential.

NEW YORK, *September* 24, 1912.

California Petroleum Corporation Stock Syndicate.

DEAR SIR: Referring to your cash participation in the above syndicate of $— we now enclose two copies of the Syndicate Agreement.

Kindly sign one copy for the amount of your participation, as above stated, and return same to us, retaining the other copy for your files.

Yours truly,

—— ——,
—— ——,
Syndicate Managers.

159–418 (EXHIBIT 162, JAN. 7, 1913.)

William Salomon & Co.,
25 Broad Street,
New York.

Hallgarten & Co.,
5 Nassau Street,
New York.

Confidential.

OCTOBER 21, 1912.

California Petroleum Corporation Stock Syndicate.

DEAR SIRS: Referring to your participation in the above syndicate we would say that as all the preferred and common stocks purchased have now been sold, we take pleasure in enclosing our check for $— being your share of the profit realized. Kindly acknowledge receipt of same as in final settlement of your interest in the syndicate.

Yours truly,

—— ——,
—— ——,
Syndicate Managers.

* * * * * * *

62d Congress } HOUSE OF REPRESENTATIVES { Report
3d Session } { No. 1593

REPORT

OF THE

COMMITTEE APPOINTED PURSUANT TO HOUSE RESOLUTIONS 429 AND 504 TO INVESTIGATE THE CONCENTRATION OF CONTROL OF MONEY AND CREDIT

SUBMITTED BY MR. PUJO

February 28, 1913.—Referred to the House Calendar and ordered to be printed, with illustrations

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1913

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CONCENTRATION OF CONTROL OF MONEY AND CREDIT.

FEBRUARY 28, 1913.—Referred to the House Calendar and ordered to be printed.

Mr. PUJO, from the Committee on Banking and Currency, submitted the following

REPORT TO THE HOUSE OF REPRESENTATIVES, TOGETHER WITH THE VIEWS OF THE MINORITY, OF THE COMMITTEE APPOINTED PURSUANT TO HOUSE RESOLUTIONS 429 AND 504, TO INVESTIGATE THE CONCENTRATION OF MONEY AND CREDIT.

PART I.—INTRODUCTORY STATEMENT.

House resolution 429 authorized and directed the Committee on Banking and Currency, as a whole or by a subcommittee, to investigate banking and currency conditions in the United States as a basis for remedial legislation. A subcommittee of 11 members was accordingly appointed.

Desiring to enlarge the scope of the investigation, the House thereafter passed resolution 504, which, after reciting that Congress had under consideration bills in relation to the currency, monetary, and national banking systems, and trade combinations, and after setting forth at length certain alleged conditions in those fields, particularly as regards concentration of control of money and credit, authorized and directed that, for the information of Congress in the consideration of the pending bills or in the formulation of others, full inquiry be made into the subjects referred to in all their bearings, to wit: "*Resolved*, That the members now or hereafter constituting the Committee on Banking and Currency, by a subcommittee consisting of the 11 members thereof already appointed under House Resolution 429 and by such substituted members as may be from time to time selected from the members of said committee to fill vacancies in the subcommittee, is authorized and directed, etc., etc." Copies of resolutions 429 and 504 are annexed hereto as Appendices A and B, respectively.

Your committee was authorized to sit during the sessions of the House and during the recess of Congress, to summon and compel the attendance of and administer oaths to witnesses, and to send for persons and papers.

A list of questions, of which the accompanying form marked "Appendix C" is a copy, was forwarded to each of the national banks as well as to the State banks and trust companies, numbering in all approximately 30,000, with the request that they return written replies. Many of the smaller national banks throughout the country and a few of the larger ones in New York and Chicago (in all about 12,000) complied with these requests except as to certain questions, to which they declined to furnish answers on the ground that the information sought was confidential as between the banks and their customers.

Most of the State institutions and of the principal national banks in the reserve cities of New York, Philadelphia, Boston, and St. Louis refused or omitted to make any return whatever and denied the power or jurisdiction of the committee to inquire into their affairs.

The national banks based their refusal on section 5241 of the United States Revised Statutes, being part of the national banking act:

SEC. 5241 (Limit of visitatorial powers). No association shall be subject to any visitatorial powers other than such as are authorized by this title or are vested in the courts of justice.

At this point, under authority expressly granted by the resolutions, Samuel Untermyer, of New York, and Edgar H. Farrar, of New Orleans, were engaged as counsel, and later G. Carroll Todd, of New York, as junior counsel. Finding it impossible to accommodate his affairs to continued absence from home Mr. Farrar resigned on November 18, 1912, greatly to the regret of the committee and of Mr. Untermyer.

Your committee was advised by Messrs. Untermyer and Farrar at the time they accepted their retainers that there could be no exhaustive inquiry such as was contemplated by the resolutions without access to the books and documents of the national banks, nor unless the official examiners appointed by the Comptroller of the Currency or expert accountants to be employed by your committee were permitted to examine into certain of the transactions of the national banks and to extract from their books and otherwise such information as might be deemed necessary. Your committee was especially desirous of ascertaining, with the view of recommending remedial legislation, whether, and, if so, in what instances and to what extent, the resources of the national banks are or were controlled or being used to further the practices or to promote the financial operations referred to in the resolutions. Without such access and information it was manifestly impossible to secure a complete exposure of the existing relations of such banks to the alleged concentration of money and credit, as required by the resolutions.

Your committee was advised by counsel that the attitude assumed by the national banks and their construction of section 5241 of the Revised Statutes was untenable; that under the construction contended for the banks that were the creatures of Congress would be beyond the control of their creator, and that Congress did not intend to deprive itself or either of its branches of authority to control, supervise, or investigate the national banks or the Comptroller of the Currency in the performance of the duty delegated to him or to place the latter in the position of being the only official of the Government whose acts or omissions were beyond its scrutiny, which would be the logical effect of the claim that the enactment of section 5241 vested sole, exclusive visitatorial power over national banks in the comptroller.

Your committee, however, concluded that inasmuch as a test of this question in the courts, as was threatened on behalf of the banks, would involve delays and obstructions in the work that would be disastrous in view of the early expiration of the term of the present Congress, the wiser course would be to place the power of your committee beyond question by further legislation.

Accordingly, on May 4, 1912, at the request of your committee the chairman introduced in the House a bill amending section 5241 so as to read as follows:

SEC. 5241. No association shall be subject to any visitatorial powers other than such as are authorized by this title or are vested in the courts of justice or such as shall be or shall have been exercised or directed by the Congress or either House thereof.

This bill was promptly passed by the House on May 18, 1912.

Meantime, on May 16, 1912, the first session for the examination of witnesses was held.

It had become apparent by this time that to avoid creating in the public mind the impression that the purpose of the investigation was to gain partisan advantage in the approaching presidential election—an impression that would have been fatal to the usefulness of the investigation—the taking of testimony on the main points should be postponed.

For that reason, and also to afford time for the passage by the Senate of the bill amending section 5241, on June 13, 1912, after the examination of witnesses in relation to clearing-house associations and the New York Stock Exchange, the hearings were discontinued until after the election.

The Senate delayed action on the bill until July 31, 1912, when it was adversely reported from the Finance Committee, by a vote of 7 to 6. No final action had been taken when Congress adjourned, and the bill is still on the calendar of the Senate.

A considerable part of the data needed could have been supplied by the Comptroller of the Currency; some, but not a great deal, from reports on file in his office; and much more through further reports or examinations which he has power to require under the national banking act.

The resolutions authorizing the inquiry provided that—

The Comptroller of the Currency, the Secretary of the Treasury, and the Commissioner of the Bureau of Corporations, and their respective assistants and subordinates, are hereby respectively directed to comply with all directions of the committee for assistance in its labors, to place at the service of the committee all the data and records of their respective departments, to procure for the committee from time to time such information as is subject to their control or inspection, and to allow the use of their assistants for the making of such investigations with respect to corporations under their respective jurisdictions as the committee or any subcommittee may from time to time request.

Accordingly, early in September, 1912, your committee asked the comptroller to supply certain data concerning the business and practices of the larger national banks. He referred the request to the President for instructions, in obedience, as he claimed, to the general Executive order, issued by President Roosevelt and reissued by President Taft, which prohibited any head of department or other official thereof from furnishing information without the permission of the President.

On September 23 the President granted a hearing on the request. It was not until December 17, however, that the President rendered his decision. On that date he wrote that the Attorney General having advised him that it was within his discretion to direct the comptroller to obtain for the subcommittee the data sought, he had no objection to directing that official to supply

such as was on file, which, however, was only a fraction of the required data; but thought that it would be—

Interfering with the duties of the comptroller and imposing upon him too great a burden to make him the investigating instrument of a committee of the House, which itself has ample powers for the purpose, or, if not, can obtain them from Congress.

The voluminous correspondence between counsel for the subcommittee on the one hand, and the comptroller, the Attorney General, and the President, is in the record (pp. 2987–3051).

The last request made of the comptroller, contained in a letter from counsel for the committee to the comptroller of December 26, 1912, is in the following form:

The subcommittee of the Committee on Banking and Currency of the House of Representatives which is engaged in investigating the question of the concentration and control of money and credit under House resolution 504 has been satisfied from the beginning—and experience has confirmed its then stated view—that no exhaustive investigation can be conducted, such as is provided for by the resolution, without access to the books of account and affairs of the principal national banks in the great reserve cities.

The data we require at the moment relate to the loans made by the principal national banks in the reserve cities and involves a disclosure to the committee of the names of the borrowers and the security for such loans, from 1905 to the present time. The committee is not however interested in any of such loans except those for $1,000,000 and over. The information is desired for the specific purpose of enabling the committee to examine witnesses in connection with such loans for the purpose of ascertaining whether, and, if so, in what way and to what extent, these banks are used by the great financial interests. In this connection I beg to inquire whether you are prepared to furnish this data and if so how soon it can be made available.

Wherever it is reasonably apparent that the transactions in question have no direct bearing upon the subject under investigation, the information will of course be regarded by the committee as confidential. Only such instances would be disclosed concerning which it may be found necessary to interrogate witnesses, and I beg to repeat that no data is desired of any single transaction or series of transactions of less than $1,000,000.

Not only have the names of large borrowers from the national banks and the collateral furnished been inaccessible to your committee, but it has also been unable to learn the names of their depositors so as to ascertain the extent if any, to which the funds of interstate corporations are being used in their transactions, or the character or extent of such transactions, or the manner in which the profits of these banks have been earned, or the character of their dealings with various security companies that are owned and operated in connection with certain of the largest of them.

Your committee has also been unable to ascertain from the great private banking houses, to which reference will hereafter be made, that are engaged in the issue and sale of securities of interstate corporations and act as their bankers and fiscal agents the names of those of such corporations for which they act as depositaries or the names of financial institutions that have underwritten such issues of securities.

It is thus seen that the refusal of aid by the comptroller, the failure of the Senate to pass the bill amending section 5241 of the Revised Statutes, and the lack of any authoritative decision by the courts sustaining its right to obtain access to the books of the national banks have seriously embarrassed your committee in its efforts to present a complete disclosure of the extent, if any, to which the resources of the leading national banks in the cities of New York, Boston, and Chicago have been or are being exploited in the interest of banking houses and others with which they are affiliated through

stock holdings, joint account, promotion, syndicate, and other financial relations and transactions.

For these reasons and because of the suspension of public hearings during the presidential campaign, and on account of the large number of important witnesses whom it was impossible to examine within the brief time remaining of the term of the present Congress, your committee has been unable to complete its investigations and has deemed it best to present this intermediate report, accompanied by the urgent recommendation that the incoming Congress continue the inquiry into the important subjects set forth in the resolutions.

In laying out its work your committee found that the clearing-house associations and stock exchanges, and particularly the New York Clearing House Association and the New York Stock Exchange, constituted integral and important parts of the financial system of the country and that no inquiry into the subjects dealt with in the resolutions could be made effective that did not include a study of their organization, methods, and operations—all of which have now been fully investigated, so that our recommendation for a further inquiry does not apply to these branches of the subject.

The hearings, which had been resumed on December 9, 1912, continued through February 24, 1913, and your committee now presents a report of the facts brought out and of its conclusions and recommendations, taking up in the order named—

First, clearing-house associations;

Second, the New York Stock Exchange; and,

Third, the concentration of control of money and credit.

PART II.—REVIEW OF THE EVIDENCE.

CHAPTER FIRST.—CLEARING-HOUSE ASSOCIATIONS.

SECTION 1.—GENERAL DESCRIPTION.

There are 242 clearing-house associations in the United States. Every large city and many of the smaller ones has its own organization. In thinly settled sections of the country an association frequently includes in its membership banks of the surrounding towns. (Cannon, R., 216.)

The American Bankers Association, composed largely of banks and trust companies in the clearing-house associations, has a department or committee the object of which is to secure uniform action by such associations throughout the country. 122 of them are members of that department. (Cannon, R., 216, 217; Pugsley, R., 560, 561.)

Such associations include in their membership State banks and trust companies, as well as national banks, and were originally organized for the very commendable and necessary purpose of furnishing a common meeting place in the locality in which the members conducted their business, where, at a given hour of every day, each member might meet all the others or their representatives and there present and receive payment of all checks held by the members against each other. Their function is to economize and facilitate the collection of checks by banks of the same community one from another. (Sherer, R., 136, 156, 157; Vanderlip, R., 274, 276; Hepburn, R., 302–304.)

> The only business of the clearing house primarily—

said Mr. Hepburn, president of the Chase National Bank—

> is the exchange of checks, which is a simple thing which takes a half hour in the morning and a half hour in the afternoon. (R., 302.)

A clearing house at one point has absolutely nothing to do with the collection by its members of checks drawn on a different point—"out-of-town" checks, as they are known. (Sherer, R., 136, 156, 157; Vanderlip, R., 274, 276; Hepburn, R., 302–304.)

Briefly stated, the process of "clearing" is as follows:

At the beginning of every business day each member presents at the clearing house all checks against other members deposited with it up to the close of business of the preceding day. Accounts are stated and in the afternoon every debtor member brings the amount due from it to other members to the clearing house, which on the same day pays it over to the creditor members. (Sherer, R., 129, 130.)

The advantage of this system over the archaic practice of each bank separately making its collections over the counter from every other bank is incalculable.

To illustrate: In 1911 checks to the amount of $92,420,120,091.67, averaging $305,016,897.99 daily, were collected through the New

York Clearing House Association. This required but half or three-quarters of an hour morning and afternoon and the use of but $4,388,-563,113.05 of actual money, averaging $14,483,706.64 daily, thus requiring the exchange of but 4.7 per cent of the money that would otherwise be involved in these transactions. (Sherer, R., 114, 130; Hepburn, R., 302.)

To reduce the risk and labor of daily carrying through the streets large amounts of money necessary to pay the balances due from and to each other the members of the clearing-house association deposit with it coin and currency other than bank notes and in return receive certificates in stated denominations, payable to any member. These are used by members in settling with each other at the clearing house, but are not otherwise circulated. (Sherer, R., 132, 133; Vanderlip, R., 276, 277; Hepburn, R., 317.) It is claimed that their issuance is authorized by section 5192 of the Revised Statutes, which recognizes clearing-house associations and permits their certificates for specie or money deposited with them as reserve to be—

> deemed to be lawful money in the possession of any association (national banking association) belonging to such clearing house by holding and owning such certificates within this section.

The membership of clearing-house associations is generally divided into two classes: (1) Full members—the proprietors; (2) qualified members (miscalled "nonmembers"), who for an annual fee are permitted to enjoy the facilities of the association through the agency of a full member, but who have no part in its management. Qualified members are, however, equally with full members, subject to the supervision and discipline of the association. (Sherer, R., 116, 121.)

It will thus be seen that the clearing house performs a most useful and important function in the financial system, if confined to its legitimate purpose. In the complex affairs of our great cities, with their numerous institutions and vast daily exchanges, the privileges of a clearing house are virtually a necessity and could not be dispensed with, if at all, without great waste and loss and serious impairment of the efficiency of the local banking system. So essential are their facilities that no large bank doing an active business of receiving deposits could conduct operations independently of the clearing house. In the principal cities, especially in the city of New York, these associations have become a power for good or evil.

SECTION 2.—EXAMINATIONS OF MEMBERS.

As a rule, the associations are authorized to make the minutest examination into the affairs and condition of either full or qualified members. Applicants for membership must submit to a like examination.

Eight years or so ago the Chicago Clearing House Association instituted a system of periodical examinations of members, supplementary to the examinations of the Federal and State authorities. A chief examiner was appointed, with a staff of about a dozen men, who reported to the clearing-house committee. (Reynolds, 1644–1646.) A similar system has since been adopted by the New York association, which has a chief examiner with 12 examiners under

him, whilst the Comptroller of the Currency has only 2 to conduct the examinations of national banks in that same locality, where 29 of the 64 institutions in the clearing-house association are national banks, and where in addition there are 15 national banks not in the association. (Sherer, R., 131, 167–169.)

The clearing-house examiner is under the direction of the clearing-house committee, which generally consists of five members, and in fact controls all the operations of the association except the election and expulsion of members.

Comptroller Murray frankly admits that bank examinations by the Federal authorities are illogical, unscientific, and superficial (R., 1386):

Q. Don't you require a very much larger force to make a full and complete examination of the banks?

A. Oh, the whole question of bank examination is illogical, unscientific, and simply impossible under the present laws.

Q. It is superficial under the present law?

A. Yes. No one has denounced that any harder than I have.

It further appears from Mr. Murray's testimony that the national-bank examiners exchange information as to the names of borrowers and other matters, not only with the State examiners but with the clearing-house examiners, so that the latter come into full possession of all information concerning the affairs not only of the national banks but of all State banks and trust companies, and the information, which is sacredly guarded by the comptroller as of so confidential a character that it can not be disclosed to your committee, is freely exchanged with the nonofficial examiners of an unincorporated clearing-house association. The State examiners and clearing-house examiners, as well as the national-bank examiners, have card indexes that locate banks' loans with the names of borrowers and the amounts borrowed, and these are exchanged. (R., 1389):

Q. Your examiners cooperate with them (referring to the New York Clearing House examiners), do they not?

A. I think they do.

Q. Have you no intimate knowledge of the method of cooperation between the clearing-house examiners and your examiners?

A. I know that my examiners in all clearing-house cities have general instructions to cooperate in a general way with the clearing-house examiners.

Q. In about the same way in which they cooperate with the banking departments?

A. In about the same way; yes.

Again (R., 1390):

Q. But you say you have given your examiners the same general instructions to cooperate with the clearing-house examiners and with the State banking departments?

A. Yes.

Q. That would involve, would it not, that they should get together in comparison of their card indices and in determination of the extent to which men were extended in their loans or commitments?

A. Probably I might, by taking a specific instance, give the committee a little information.

Q. If you will, we would be glad to have it.

A. For instance, in a city where we have a clearing-house examiner and a national-bank examiner, in order to avoid multiplicity of examinations, the clearing-house examiner often examines the bank with his force at the same time the national-bank examiner and his force are in. Now, the law authorizes the comptroller to force a bank to charge off its losses, a recent decision of the Supreme Court, when they are ascertained. The clearing-house examiner examines the same bank with the national-bank examiner at about the same time; there may be a question on certain

securities or on certain paper as to whether they are losses or not, and the bank examiners often confer on these difficult questions of losses, and the national-bank examiner will give the clearing-house examiner what his judgment of the losses in that bank is, and the clearing-house examiner, from his credit files and all the information which he has, will give the national-bank examiner his estimate of losses. They usually agree.

Q. That relates to commercial paper or to bonds or stocks or any class of securities?

A. To whatever they may have. They confer on the credit of the banks, and exchange information, and I presume exchange opinions as to whether or not certain loans are good or bad. They each have different channels of information. For instance, the national-bank examiner has 100 men he may write for information about a borrower, and the clearing-house examiner may have other lines of information which are closed to the national-bank examiner.

Again (R., 1392):

Q. What is there in the position and office of those examiners, Mr. Murray (referring to the examiners for the clearing-house association), that is so much more sacred that your official examiners should be permitted to expose to them the affairs of your office, which they regard as confidential, even as against the courts of the land?

A. I think the cooperation between the clearing-house examiners and the national-bank examiners is just a question of credits of which both have full information.

Q. That is the most confidential part of your business, is it not—the question of credits?

A. Yes.

Whilst it does not affirmatively appear that the examiners employed by the clearing-house committee disclose to it the information obtained by them in the course of their examination, yet they are subject to the direction of the committee, and the power thus placed in its hands is unjust to the smaller banks, and to the nonmember banks that have no voice in the association, and is subversive of their liberty of action.

SECTION 3.—EXCLUSION OF SMALL BANKS FROM MEMBERSHIP.

A bank or trust company with capital stock of less than $1,000,000, though absolutely solvent and well managed, can not become a member of the New York Clearing House Association. It makes no difference that its capital and surplus combined exceed $1,000,000. In order to enjoy the invaluable facilities of the clearing house, such a bank must engage a member bank as its clearing agent. (Frew, R., 577, 629, 630.) It is then virtually at the mercy of that bank, since the latter at any time may summarily terminate the agency, at its own election, or may be compelled to do so by the clearing-house committee. (Frew, R., 630.) The history of banking in New York City shows that the withdrawal from a nonmember bank of its privilege of clearing through a member has usually resulted in such loss of confidence as to compel the closing of its doors in times of stress, though the event may prove it to have been perfectly sound and solvent. (Frew, R., 631.) Were the bank a full member, it could not be thus summarily deprived of the privileges of the clearing house, but only through the orderly action of the association. (Frew, R., 632.)

The panic of 1907 started with the closing of the Knickerbocker Trust Co., which followed immediately after the announcement of the National Bank of Commerce of New York, the trust company's clearing agent, that it would no longer act as such. (Frew, R., 631, 632.)

The chairman of the clearing-house committee of the New York association admitted that it would have been a safeguard to the public had the Knickerbocker Trust Co. been a member of the association and not dependent upon the will of a single bank for clearing privileges. (Frew, R., 632, 633.)

No good reason has been adduced why small banks, if sound and well managed, should not be admitted to full membership in such associations. Admittedly it is just as safe to have as a member a small sound bank as a sound large one. The chairman of the clearing-house committee of the New York association said that personally he would not discriminate against small banks in this regard; that—

it would be a very much better thing to have every bank that is well managed in the clearing house. (R., 629, 630, 634.)

In Chicago there is no requirement as to the amount of capital stock a member must have. Indeed, instead of denying membership to small banks and compelling them to clear through the large ones, the effort there has been to induce the banks which clear through others to become full members of the association. (Reynolds, R., 1643.)

SECTION 4.—THE POWER OF SUCH ASSOCIATIONS.

The enormous saving in time, labor, and use of money effected by the clearing house in the matter of collecting checks renders its facilities almost indispensable to banks of deposit in cities of commercial consequence. The manager of the New York association, Mr. Sherer, so testified (R., 129, 140, 141):

Q. But to inaugurate and conduct a bank on a large scale would be a practical impossibility in these times without clearing-house facilities, would it not?
A. It is a matter of opinion.
Q. You think it is a practical impossibility?
A. I think it is a practical impossibility, yes; but there are others who think it is not.

* * * * * * *

Q. I thought you said some time ago, Mr. Sherer, that the clearing house was essential to the bankers?
A. It is essential to domestic bankers; yes.

As a result clearing-house associations in the great cities have acquired a power and position in the financial system so commanding that in any ordinary case a bank or trust company having the required capital which should be refused admission to or expelled from one of them would at once lose public confidence, with all that that means to such an institution.

The manager of the New York association admitted that—

banks have closed up because the clearing house has withdrawn their privilege,

and that—

the rumor that the clearing house privilege has been withdrawn * * * is sure to cause a run on a bank. (Sherer, R., 142, 143, 166.)

In October, 1907, two Brooklyn banks, so-called nonmembers of the New York association, clearing through the Oriental Bank, a full member, were compelled to close their doors within a day after the privileges of the association had been withdrawn from them. This incident is thus described in the testimony of the then president of the Oriental Bank (Jones, R., 236, 239):

A. I should say about the 20th to the 22d of October I met the clearing house committee in answer to their request.
Q. Who was with you?
A. No one.
Q. Where did you meet them?
A. At the clearing house.
Q. Whom did you meet?
A. I do not remember the committee. I only remember several on the committee. Mr. Woodward, Mr. Nash, and Mr. Townsend were there. Those are the only members of the committee I recall.
Q. Did you meet Mr. Hepburn at that time?
A. I do not positively remember whether he was at the meeting or attended at that time or not. I remember the other three gentlemen were there.
Q. Did you apply for certificates?
A. Not at that time.
Q. What was your errand at that time?
A. I was asked what banks we were clearing for.
Q. What did you say?
A. I told them we were clearing for three—the Brooklyn Bank and the Borough Bank, both of Brooklyn, and the Chelsea Exchange Bank of New York.
Q. What took place?
A. They inquired about banks and their condition and the balances which they were maintaining with us, and they first said to me that they would prefer that I would send notices discontinuing the clearances.
Q. For all of them?
A. For all of them.
Q. Proceed.
A. Then the matter was discussed.
Q. What did you say as to that?
A. I said I felt if we did it would probably result in a large loss of business to us, and possible trouble.
Q. Did you say it would ruin the bank?
A. I do not know that I did. I felt that it would make trouble if we did send out the notices, and I protested against it. Finally my understanding was that if the Brooklyn Bank and the Borough Bank would bring their balances up to $500,000 each we might continue to clear for them, and if not that it was a matter to be reported against. I was to get in touch with the clearing house.
Q. Did they bring their balances up?
A. One of them did. The other approximated the balance, but not fully up to the $500,000.
Q. Which one brought the balance up to $500,000?
A. I think it was the Brooklyn Bank.
Q. What happened then?
A. The next day I had a visit from Mr. Townsend asking if I had sent out the notices and I told him I had not; that I understood that if the two banks mentioned brought their balances up we would not have to send out the notices. The requirement did not apply to the Chelsea Exchange Bank. He said that was not his understanding. He went down to the clearing house, and I got a call to come down again, and the matter was discussed. It was decided that I should send out the notices.
Q. What were the notices?

A. To discontinue clearing for the Brooklyn Bank and the Borough Bank—not the Chelsea Exchange, however.

Q. You were to discontinue for the one that had brought its balance up to the required amount?

A Yes.

Q. Did you say anything to that?

A. I told them that they had large balances with us, and I knew it would mean the withdrawal of those balances immediately and I felt that it would mean trouble for us, and I asked that a committee be appointed to examine our bank.

Q. Was there a committee appointed?

A. There was.

Q. You had not sent out the notices then, had you?

A. No, sir.

* * * * * * *

A. They (the clearing-house committee) said it [the Oriental Bank] was in good condition; that we were doing a legitimate business and not being used or abused by anybody.

Q. What was the upshot of that, as to whether you could continue to clear for the two other banks?

A. We discontinued that immediately.

Q. They told you to stop it, did they?

A. Yes.

Q. And did you send out the notices?

A. We did.

Q. And did they tell you that same night to discontinue clearing for those banks?

A. That afternoon, prior to the examination.

Q. What is your answer?

A. They told us that that afternoon prior to the examination.

Q. Before the examination?

A. Yes, sir.

Q. And you sent out the notices?

A. I did.

Q. And how soon after that did those two banks close?

A. I can not tell you exactly, but within a day or two.

The possible ends for which clearing house associations might use their great powers is further suggested in the following excerpt from the testimony of Mr. Cannon (R., 259, 260):

Q. Mr. Cannon, I would like you to look at page 12 of this very enlightening book of yours and tell me what you mean by this. Referring to times of panic, you say:

"In such an emergency the other members of the clearing house are usually willing to render assistance until the strain is relaxed. To secure such aid, however, a bank must be sound in its management and of good repute in every respect. Otherwise the members of the clearing house"—

This is all in times of panic, mind you—

"are likely to decline assistance, being quite willing to get rid of a weak and ill-managed member."

A. I think that speaks for itself.

SECTION 5.—SUCH ASSOCIATIONS UNINCORPORATED AND UNREGULATED.

Yet, without exception, it is believed such associations sustaining this vastly important and delicate relation to the financial arrangements of the country, are unincorporated, voluntary organizations, on the same legal footing as private clubs, and as such subject only to the authority of their own governing body as regards the right to become or remain a member or to enjoy the privileges of membership. For example, under the constitution of the New York Clearing House

Association, which is fairly representative, a bank or trust company, no matter how well qualified, can not be admitted over the objection of one-fourth of those already members, who are its competitors, and on the other hand may be expelled by a majority vote; and in neither case need any reason be given nor is there any appeal. Nor, without the assent of the association can there be any change in the ownership, management, or charter of a member on pain of expulsion. Mr. Sherer, manager, and Mr. Cannon, member of the governing body, of this association, testifying as to its power in this regard, said among other things (Sherer, R., 112, 113, 145, 146):

Q. Assuming that it has all of those qualifications, the admissions committee is the sole judge of whether it will admit a member, is it not?
A. Yes.
Q. Having all those qualifications, it can be rejected or admitted in the judgment of the association, can it not?
A. Yes.
Q. And it requires the affirmative votes of three-fourths of the members to admit a member, does it not?
A. Yes, sir.
Q. And a majority to expel a member?
A. Yes.
Q. The majority may expel a member without cause, may it not?
A. No, sir. The constitution states what reasons are required.

* * * * * * *

Q. Yes. As a matter of fact, Mr. Sherer, the power of expelling or suspending a member rests entirely in the committee of this association, does it not?
A. Yes.

* * * * * * *

Q. Why do you constantly compare the membership in this association to that in a private club?
A. Merely for the sake of comparison, because it is not a corporate institution.
Q. You know that in the case of a private club a man may be excluded without reason, because they do not want him?
A. Oh, yes.
Q. And that is so in your association, too, is it not?
A. We do not go as far as that.
Q. But you have the right to do so?
A. We have our requirements here.
Q. You have the right to do so, have you not?
A. Yes, we have the right; not the moral right, if they comply with these requirements.
Q. You have taken the legal right, have you not?
A. Yes.
Q. You spoke of a man not wanting to come in. I shall have to repeat my question to you in that respect.
You know that unless the bank happens to have $1,000,000 in capital it can not come in, can it? That is right, is it not?
A. That is right.
Q. And if it has $1,000,000 of capital and it does not suit three-fourths of its competitors that it shall come in, it can not come in anyway, can it?
A. No.
Q. And if it does not suit its competitors who are in the association to let another bank that is a member of the association clear for it, it can not get clearance, can it?
A. No.

* * * * * * *

Q. We are talking about the constitution of the clearing-house association, and we are discussing section 7. Do you or not understand that under section 7 no bank can change control if it is a clearing-house member, and remain a clearing-house member, without the consent of the clearing-house committee? That is so, is it not?
A. Yes.

* * * * * * *

Cannon (R., 226):

Q. Do you not know that under your present constitution and by-laws a banking association that is eligible has not the right to membership and that its right depends upon the consent of three-fourths of the existing members?
A. Upon a vote of three-fourths of the existing members?
Q. Yes; you know that, do you not?
A. Sure.

Thus what may be virtually the power of life and death over our banking institutions rests uncontrolled in private hands.

SECTION 6.—USURPATIONS OF POWER.

A further criticism of clearing-house associations must be made. As will now be shown, they have assumed functions wholly foreign to their original object as above set forth, and at variance, we think, with the public interests.

SECTION 7.—ISSUANCE OF CIRCULATION.

At times of extreme stringency in the money market, notably in 1893 and 1907, they have issued to members without authority of law, on the security of their assets, so-called loan certificates, which without payment of the circulation tax of 10 per cent, passed as currency in some cities, as in New York, only amongst the members to pay balances at the clearing houses, but in others amongst the general public as well. (Sherer, R., 133–135; 184–188; 190–192; Cannon, R., 343–345.) In 1907 upward of $250,000,000 of such certificates were issued; $101,000,000 in the city of New York alone from October 26 to December 26, 1907. (Sherer, R., 191; Cannon, R., 345.) The form of certificate of the New York Clearing House Association was as follows:

FIFTY THOUSAND DOLLARS.

No. ——. $50,000.

LOAN COMMITTEE OF THE NEW YORK
CLEARING HOUSE ASSOCIATION,
New York, ————, ——.

This certifies that the ——— ——— has deposited with this committee, securities in accordance with the proceedings of a meeting of the association, held October 26, 1907, upon which this certificate is issued. This certificate will be received in payment of balances at the clearing house for the sum of $50,000, from any member of the clearing house association.

——— ———,
——— ———,
——— ———,
——— ———,
——— ———,
Committee.

On the surrender of this certificate by the depositing bank above named, the committee will indorse the amount as a payment on the obligations of said bank, held by them, and surrender a proportionate share of the collateral securities held therefor. $50,000.

(On back): Pay only to any member of the New York Clearing House Association.

It is contended that such unauthorized additions to the circulation were the only available means of relieving without dangerous delay a very acute money stringency attended by panic.

It is nevertheless true that such issues involve a partial suspension of specie payments, which is humiliating if not actually injurious to the credit of the country. (Hepburn, R., 302, 303.) In the absence of governmental control, as at present, they also place a dangerous power in the hands of clearing-house associations, which determine to whom the certificates shall be issued and when they shall be retired. As the associations in this regard act through small committees, a bank will often find the decision upon its application for assistance resting with its keenest competitors, with no right of review.

Thus, in the panic of 1907, the Mechanics & Traders Bank, a member of the New York association, with deposits around $12,000,000, was compelled, like many banks in good standing, to apply for aid in the way of clearing-house certificates. The granting or refusing of such aid as well as the calling in of any certificates which might be issued was in the hands of a consolidated committee consisting of the regular clearing-house committee and a special loan committee, each consisting of five members. The chairman of the first was Mr. Nash, then president of the Corn Exchange Bank, and Mr. Frew, a member of the second committee, was vice president of the same bank, which was an active competitor of the Mechanics & Traders, the two having branches near together in three localities in New York.

The Mechanics & Traders applied for and obtained clearing-house certificates to the amount of $2,100,000, giving collateral having a face value of $6,373,252.52. Subsequently, on January 25, 1908 (Mr. Woodward having succeeded Mr. Nash in the meantime as chairman) the Mechanics & Traders and three other banks were notified by the clearing-house committee that these outstanding certificates must be retired within a certain time. The notice was published in the newspapers and a run on these banks ensued, resulting in their closing. Within 40 days thereafter the Mechanics & Traders Bank paid its indebtedness to the clearing-house association in full. Several years later the Corn Exchange Bank took possession of one or more of the branch banking offices of the defunct Mechanics & Traders Bank. (Frew, R., 589–594.)

We do not for a moment intimate that Mr. Nash or Mr. Frew, as arbiters of the application of the Mechanics & Traders Bank, could have had any thought of gaining an advantage for their own bank over its competitor. But as a matter of general policy such a situation should be avoided. It is not fair or wise that either party should be so placed.

Again, the Oriental Bank of New York, long established, of excellent reputation and absolutely solvent, and other banks of that city that claimed to be solvent and paid their depositors in full in liquidation besides leaving a large surplus for their stockholders, were forced to close and go out of business in 1908 by reason of the mistaken exercise of the power to compel retirement of such certificates by the clearing-house committee of the New York association. (Sherer R., 194–199; Beekman, R. 264–267; Hepburn, R., 30.)

Mr. Hepburn, chairman of the board of directors of the Chase National Bank, a leading member of the clearing-house committee at that time, testified as follows regarding this important incident (R., 300, 301):

Q. And when everything was easy and money was cheap, and everything was quiet, and after you had left, did you learn that the first notice this bank the (Oriental) and

three other banks had that their certificates were to be called in was an announcement in the newspapers?

A. I learned——

Q. That is the question.

A. Did I learn that the first notice they had was in the newspapers?

Q. Yes, and before they even got the letters?

A. Yes, I heard that.

Q. And that they did not receive a notice giving the announcement until the day after it appeared in the newspapers, the morning after?

A. I do not know anything about it; I am not testifying to that.

* * * * * * *

Q. Would it have happened if you had been here?

A. The sending out of that notice was a mistake.

Q. And the withdrawing of it after it was published did not help any?

A. It was a mistake.

Q. But it did not help it any when the people had begun to draw on the banks?

A. No.

Q. Do you not think they ought to have gone along and helped the banks out, after that, which were solvent?

A. Certainly.

Q. The whole thing was a sad mistake, was it not?

A. It was.

* * * * * * *

Q. It was a very ill-advised blunder to let this thing go the way it did, was it not, to say the least?

A. It was a mistake.

SECTION 8.—REGULATING CHARGES FOR COLLECTING OUT-OF-TOWN CHECKS.

Ninety-one clearing-house associations, including those in nearly all the larger cities, require members to charge a specified rate, uniform in each association, for collecting out-of-town checks, except those drawn on banks at certain-named points. (Cannon, R., 217, 218.) In the New York association, which is typical of this class, the penalty for the first violation of the rule is a fine of $5,000, and for the second, expulsion. (Sherer R. 137, 142.)

The remarkable feature about this regulation is that clearing houses have nothing to do with the collection of out-of-town checks. But since banks in a large city, practically speaking, unless of exceptional strength, must have use of the facilities of the clearing-house association in that city in paying checks drawn on each other, and hence can not risk expulsion therefrom, they are compelled to submit to its dictation on a question of business policy entirely outside its province and with which it has no concern. They may wish to collect out-of-town checks free of charge as a means of drawing patronage. Or they may be satisfied from experience that there is ample compensation for this service in the use of a customer's money, and hence may not wish to make a special charge for it. Or they may believe that the prescribed rate is exorbitant. Yet they can not act according to their own business judgment or treat one customer differently from another on this subject. They can not choose the course which they deem most to their advantage. They are not even consulted as to whether they desire to enter into such a combination,

fixing for them the course they shall adopt. If they are "nonmembers," so called, they have not even a vote or representation in the association which enacts these regulations and requires obedience thereto under penalty of withdrawing from an offender the privilege of clearing through a member of the association. Their business in this important feature is not under the control of their own officers, directors, and stockholders, but of an outside agency—the clearing-house association—which prescribes for them what they may and may not do in the conduct of their business in this important particular. If they want to compete for business by offering inducements to a valuable customer they are denied the opportunity.

The regulation is defended on the ground that something had to be done to stop the "losses" sustained by banks in performing this service. It is not claimed that they were losing money on their business as a whole or on the business of any customer for whom they had been performing this service without compensation before the enactment of this rule. On the contrary, it is undisputed that they were making large profits and paying large dividends at the same time that many of them were collecting out-of-town checks free and all were at liberty to charge as little as they pleased: and that in a number of prominent cities, including Philadelphia, Providence, Newark, Jersey City, Albany, and Troy, among them, no charge is imposed, and in Boston only a small fraction of that imposed in New York. (Frew, R., 615, 618–620.)

But it is claimed that if this particular feature of a bank's business be segregated from all the rest, setting against the revenue from the use of the money collected a proportionate part of the general expenses of the bank, rent, salaries, stationery, etc. (and without taking into account the profit derived by the banks from the use of the customers' balances on deposit), a loss will be shown. Your committee is unable to subscribe to the accuracy of the figures and deductions on which that contention is based. If the experience of the Boston banks in making their collections in New England is a fair criterion on which to base an opinion (although that covers only collections throughout New England and involves less loss of interest to the banks) the existing charges imposed by the associations of many other cities, including New York, permit of a very handsome margin of profit from this branch of the business. Mr. Sherer at first estimated the revenue of the members of the New York association from this service at $50,000,000. The following day, after communicating with the then chairman of the clearing-house committee, he reduced this estimate to $17,000,000. These figures were subsequently challenged, however, by the newly elected chairman, Mr. Frew. (Sherer, R., 153, 171–174, 182.)

The calculations on these lines finally submitted in the form of a report by a committee of the New York association are rendered of little value by the practical impossibility of determining with any degree of accuracy what part of the total expense of operation was incurred in this particular service, and by the fact that they included only a given number of selected banks.

Moreover, when analyzed, the contention comes to this, that for every expense incurred by banks they are entitled to require, and by combination to compel each other to require, under penalty of expul-

sion from the clearing house, specific reimbursement by their customers, no matter how much money they are making out of the use of such customers' deposits. With equal justice it may be argued that rent and clerk hire shall be charged against every depositor so that all the earnings from his balances will be profits.

All this, however, is beside the point. Acting separately, banks have a right to charge for this service if they do not find, as many of them formerly did, adequate compensation in the use of the customer's money, or if they care to take the risk of losing business in the attempt to secure greater profits.

But as we have seen, clearing-house associations perform no office whatever in the collection of out-of-town checks, and therefore for them to deny their facilities in order to coerce banks to charge a uniform rate for collecting such checks is an abuse of their powers prejudicial alike to commercial intercourse and to the interests of the banks themselves taken as a whole.

It should be left to the contracting parties, the bank and its customer, and not to an outside agency by brute force of its power over the bank, to determine what service the bank shall perform in return for the use of its customers' money.

During the progress of this inquiry, in December, 1912, the New York Clearing House Association modified its rules for the collection of out-of-town checks by increasing the number of so-called discretionary points—that is, of cities and towns on which checks drawn might be collected by its members without charge, but still retaining the rule as to all other places and still insisting upon its right to enforce the rule as thus modified against all members and nonmembers.

SECTION 9.—ENFORCING UNIFORM RATES OF INTEREST PAID ON DEPOSITS AND CHARGED ON LOANS AND UNIFORM RATES OF EXCHANGE.

A smaller number of such associations, not including that of New York, have attempted by like means, under penalty of expulsion, to force upon their members uniform rates of interest on deposits and uniform rates of exchange. These practices are wholly foreign to the legitimate function of clearing houses and are condemned by the manager of the New York Clearing House and by leading bankers. (Sherer, R., 158; Cannon, R., 217, 218, 259, 260; Vanderlip, R., 275, 278, 279; Frew, R., 625, 626, 628, 629.)

Mr. Sherer, manager of the New York Clearing House Association, testified as follows (R., 158):

Q. * * * May I call your attention, in connection with the subject we are now discussing, to a certain statement on page 13 of this valuable book of Mr. Cannon's on clearing-house deposits? It reads as follows:

"Another of the special functions of a clearing house is the fixing of uniform rates of interest on deposits and in a few instances on loans."

Do you agree to that?

A. No; I do not.

Q. No. You think that is quite outside the functions of a clearing house?

A. Yes.

Mr. CANNON, president of the Fourth National Bank of New York, and a recognized authority on clearing houses, said (R., 218):

Q. So you could not tell us how many clearing-house associations to-day attempt to regulate the interest that shall be payable, by the banks, members of the association, on deposits?
A. I could not.
Q. Do you not think that is a very vicious practice?
A. I do.
Q. You know it is contrary to law, do you not?
A. Certainly. We have never attempted it in this association.

* * * * * * *

Q. Or can you furnish us a list of the associations that are regulating or attempting to regulate interest on loans?
A. I can not furnish any further information on that than is given in the book.
Q. That you regard as a vicious thing, too, do you not?
A. Yes.
Q. And clearly contrary to law?
A. Yes.

Mr. Vanderlip, president of the National City Bank of New York, said (R., 278):

Q. You know that Mr. Cannon is a very eminent authority on the subject, do you not?
A. Undoubtedly.
Q. And his work is considered standard, is it not, with respect to clearing houses?
A. It ought to be, considering his eminence.
Q. On page 13 of his book on clearing houses he says:
"Another of the special functions of a clearing house is the fixing of uniform rates of interest on deposits and, in a few instances, on loans."
Do you agree that the fixing of uniform rates of interest on deposits is a special function of a clearing house?
A. I should not think it was.
Q. And the fixing of interest on loans in any instances?
A. I should not so regard it.

Mr. Frew, chairman of the clearing-house committee of the New York association, said (R., 628):

Q. But if you conclude some day that you want to limit the interest that you will pay your customers on their accounts you will do it by the same process by which you imposed this charge, will you not?
A. We would not do it; there is no doubt about that.
Q. But you do not know what you may do next year, do you?
A. The history of the clearing house warrants me in stating that we never would do any such thing as that.
Q. Do you not know that there are clearing houses in the country that do?
A. Yes; I do. I think it would be wise to stop them from doing it, probably.

SECTION 10.—SALT LAKE CITY AND PITTSBURGH ASSOCIATIONS.

The usurpation by clearing-house associations of the powers vested by law in the officers and directors of banks has reached its perfect development in the constitution of the new Salt Lake City association, and in proposed amendments to the constitution of the Pittsburgh association not yet adopted only because dissenting members have interposed with legal proceedings.

The new Salt Lake City association grew out of the refusal of one member of the old association—the National Copper Bank—to accept an amendment to the constitution regulating the payment of interest on deposits. Being doubtful of their power to expel the recalcitrant member the other members of the old association with-

drew and organized a new association, investing it not only with power to regulate the rates for collecting out-of-town checks, the rates of interest on deposits, and the rates of exchange, but also such matters as the hours for opening and closing and even the amounts that should be charged for check books. Indeed, but little was left to the directors of the member banks except the execution of the rules of the clearing-house association. The National Copper Bank remains the sole member of the old association. As a matter of form it was invited to join the new association, but refused because of the character of the constitution adopted. It is thus deprived of the facilities of the clearing house because it is unwilling to surrender control of its affairs to an outside body. (Armstrong, R., 1215–1228.)

The Pittsburgh association, under the proposed amendment to its constitution, would have power—

> To regulate exchanges, fix rates to be charged on drafts and collections, regulate the payment of interest upon deposits, and generally to take such action in matters of common interest arising, or affecting their relations with each other, and with other banks in this and other localities as will tend to the fostering and promoting of sound and conservative methods of banking, and
>
> To make rules and regulations for the conduct and supervision of members and non-members clearing through members and provide for the imposition and enforcement of penalties for the violation of such rules and regulations. (Knox, R., 546.)

As construed by Vice President Knox of the Mellon National Bank of Pittsburgh, this power would embrace the determination of to whom, for what amounts, and on what collateral loans should be made by members. (Knox, R., 547.)

Chapter Second.—The New York Stock Exchange.

SECTION 1.—GENERAL DESCRIPTION.

A stock exchange is a market, controlled by rules, where securities consisting chiefly of the stocks, bonds, and other securities of corporations are bought and sold. Manifestly, a security privileged to be bought and sold on such an exchange obtains a wider market and a more definite current value than one which is not. It may be said, therefore, that the true function of such an exchange is—

(*a*) To furnish the widest possible market for securities, and

(*b*) To register with greater definiteness their current value.

The New York Stock Exchange is the primary market for securities in the United States and as such is a vital part of the financial system. (Mabon, R., 373; Pomroy, R., 474.) In the past decade the average annual sales of shares on that exchange have been 196,500,000, at prices involving an annual average turnover of nearly $15,500,000,000; and of bonds $800,000,000. (Sturgis, R. 825.)

Quotations on its floor determine the current values of all securities there traded in, which means the securities of all the greater corporations of the country. (Ely, R., 332.) Such quotations are adopted by the courts and by the Comptroller of the Currency as measures of value, and upon them banks base the amount to be lent on a given security. (Ely, R., 332; Sturgis, R., 837; Murray, R., 1393.)

The business conducted upon this exchange is not only nation wide, but international in its scope. Its members maintain private wires to all the principal cities of the United States and the transactions conducted by its members are for the account of customers from all parts of the country and from foreign countries.

A special committee on speculation appointed by Gov. Hughes, reporting in 1909, referred to this exchange as "to-day probably the most important financial institution in the world." If that be true, membership in such an institution should be an office of distinction and public usefulness.

It is a voluntary, unincorporated association, with a written constitution. Its chief functionaries are a president, a secretary, a governing committee, a law committee, a committee on admissions, a committee on arrangements, a committee on stock list, and a finance committee. The governing committee is its principal organ of administration. Its membership is now limited to 1,100, which, under the constitution, can only be increased by the governing committee. There has been no increase in this limitation since 1879, although the volume of sales has grown from 75,000,000 shares and $413,000,000 of bonds in that year to 129,324,169 shares and $664,942,420 of bonds in 1912; and the number of listed securities, as roughly estimated by a high official of the exchange, is fifty times greater now than at that time. One can become a member only by admission to a vacancy (should there be any), or by

purchase of an existing membership, and then only with the approval of two-thirds of the committee on admissions. The price of a membership has been as high as $95,000; to-day it is about $50,000. The initiation fee is $2,000; dues are $100 a year. (Ely, R., 318, 319, 331, 333, 334; Sturgis, R., 783, 784.)

On the floor of the exchange there is for each security a "stand" at which transactions therein take place; also a "stand" where loans are negotiated. (Mabon, R., 404; Thomas, R., 359.) The exchange keeps no record of sales or loans, although it exclusively controls the collection and distribution of all records of transactions and quotations of securities upon the floor. (Thomas, R., 361; Mabon, R., 464; Sturgis, R., 802–806.)

Between buyer and seller, however, a ticket is exchanged showing that one has bought and the other sold. (Mabon, R., 464.) At the loan stand there is an unofficial bulletin on which is entered the amount and rate of interest of loans for the first half or three-quarters of an hour after the lending begins—usually about 11 o'clock. The average of the opening, the high and the low rate of these recorded loans fixes the rate for the day. And each day a slip is posted showing the opening, the high and the low rate of the day before. (Griesel, R., 743; Turner, R., 753–756.)

As no complete record is kept, the amount loaned on the floor of the exchange in a day can not be definitely stated. One of the leading brokers estimated the amount at not more than $50,000,000, and often much less. (Turner, R., 754.) The chief lenders are the National City Bank, the National Bank of Commerce, the Chase National Bank, the Hanover National Bank, J. P. Morgan & Co., and Kuhn, Loeb & Co. (Griesel, R., 744–746.) Such loans are mainly payable on demand and are made upon collateral that is listed on the exchange. (Turner, R., 756.) This loan stand constitutes the only open market for the lending of money in the United States. Most of the loans made to stock exchange members are, however, negotiated directly between the banks and the brokers at the offices of the banks and not at the loan stand of the exchange.

The stock exchange building is owned by a corporation, all the shares of which are held by the exchange. An office in the building is rented to the Western Union Telegraph Co. (Ely, R., 337; Sturgis, R., 802.)

The exchange owns the entire stock of the New York Quotation Co., which, for a specified rental, supplies members' offices south of Chambers Street, New York City, with a ticker service. For $100,000 a year, under a contract terminable upon one day's notice, it sells the quotations to a subsidiary of the Western Union, the Gold & Stock Telegraph Co., which also maintains a ticker service. The latter, however, can supply the quotations to such persons only as the exchange approves, and under no circumstances to members' offices south of Chambers Street or to any competing exchange in New York City. The quotations are gathered from the floor of the exchange and transmitted by its own employees to the offices of the New York Quotation Co. and the Gold & Stock Co. and thence dis-distributed throughout the United States, but the exchange retains the right to determine who shall and who shall not receive these quotations. (Sturgis, R., 802–806.) There is no other method by which quotations of transactions on the exchange are obtainable

Telephone communication leading from the building in which the exchange is located is not enjoyed by members as of right, but may be denied in the discretion of the committee on arrangements; and any member furnishing such communication to another member to whom it has been denied is subject to suspension. (Ely, R., 335; Mabon, R., 396, 397.)

A member can not be a member of any other exchange in New York on which any securities are dealt in that are listed on this exchange. (Mabon, R., 402, 403, 455.)

SECTION 2.—STOCK EXCHANGE CLEARING HOUSE.

In 1892 there was established a clearing house to act—

> as a common agent of the members of the exchange in receiving and delivering such securities as may from time to time be designated by the clearing-house committee.

Upon written application approved by the committee a member becomes entitled to make use of the clearing house, but in settlement of transactions in only those stocks designated by the committee as privileged to be "cleared." (Streit, R., 864.)

The process of clearing, briefly stated, is as follows: For each sale during the day a ticket showing buyer and seller and the number of shares sold is given to the buyer who sends it to the clearing house, which balances the purchases of each member against his sales; and the members who have bought more shares of a given stock than they have sold receive from the clearing house orders for the difference upon designated members who have sold more than they have purchased. Thus if A on a certain day has sold 8,000 shares of Union Pacific and bought 10,000 shares, he receives from the clearing house an order for the delivery of 2,000 shares directed to some particular member or members who sold at least that many more shares than he purchased on that day. No certificates of stock are ever received or delivered by the clearing house. Obviously, this system of "clearing" promotes speculation beyond what it would be if delivery had to be made of certificates for the full number of shares bought and sold. (Streit, R., 864–866.)

SECTION 3.—MEMBERS PREFERRED CREDITORS.

In case of the insolvency of a member his obligations to other members take precedence over even the claims of a customer who has been defrauded, so far as the exchange can control the matter by impounding the proceeds of his membership seat for the benefit of creditor members to the exclusion of other creditors until the claims of members have been paid in full. (Mabon, R., 463, 464; Sturgis, R., 786–789.)

SECTION 4.—PROCEDURE FOR LISTING.

To obtain the listing of a security upon this exchange, the issuing corporation must make written application to the committee on stock list showing in detail its condition and affairs, and accompanied

by a form of stock certificate or of bond and mortgage or other security, as the case may be, and a check for the listing fee—$50 for each $1,000,000 par value of the issue. (Ely, R., 323, 324; Mabon, R., 409, 413.) It must also appear, among other things, that the corporation has a transfer agent and registrar in New York City, regardless of the place of organization or location of the business of the corporation; that the stock certificate or mortgage or other security, is in a form satisfactory to the committee on stock list and contains certain provisions required by the exchange; and that the stock certificates or bonds or other security as the case may be, were engraved by a company approved by the governing committee (Ely, R., 325, 325; Mabon, R. 409, 410, 414.) There are other conditions of less importance. All are set forth in the record. (Ex. 24, pp. 338–342.) The committee on stock list, after ascertaining whether the application meets the requirements, makes a recommendation in the premises to the governing committee, which makes the decision. (Ely, R., 323, 324.) A schedule of listed securities is furnished members daily. (Ely, R., 336.)

SECTION 5.—THE VALUE OF LISTING.

Listing on the New York Stock Exchange gives a security a wider market and a more definite current value, making it easier to sell and easier to borrow upon. In fact, securities are not generally available as collateral for stock-exchange loans unless they are listed. As stated, banks accept the quotations on this exchange as the basis for computing how much they will lend upon given securities, the practice being to value the securities at 10 points below the quotations and lend 80 per cent of such valuation. (Mabon, R., 371, 466; Pomroy, R., 473, 474, 483; Turner, R., 756.)

That such listing, therefore, adds very materially to the value of a security was testified to by Mr. Mabon and Mr. Pomroy.

Mabon (R., 371):

Q. So that you realize, do you not, the importance to the security of a company and to its value of having its stock listed on the regular list of the stock exchange?
A. In the main, I do; yes.

* * * * * * *

Pomroy (R., 473):

Q. You do not question the great value of a listing of a stock on the exchange, do you?
A. Oh, no, sir.
Q. You know it makes it available as collateral?
A. Certainly.
Q. And that gives it a salability and a ready market?
A. More salability and a more ready market than if it were not listed on the exchange; yes, sir.

That this is the general view is shown by the fact that out of many millions of securities put out within the last five years by the great interstate corporations, the only issue not listed on the New York Stock Exchange, according to the recollection of its president, was one of short-term notes of the Erie Railroad amounting to $10,000,000; and by the further fact that in advertisements and circulars describing securities offered for sale it is always stated as an inducement to purchasers that they are listed on the New York Stock Exchange when such is the case. (Mabon, R., 410, 413.)

SECTION 6.—UNLISTED DEPARTMENT.

Until 1910, when it was abolished, the New York Stock Exchange maintained a so-called "unlisted" department, where dealings were permitted in securities of corporations refusing to furnish any substantial information as to their business and which therefore could not be admitted to the regular list. Such securities appeared in the same table with those regularly listed and were differentiated from them only by a star in front. (Mabon, R., 362, 368.) In this manner such active stocks as those of the Amalgamated Copper and the American Sugar Refining Cos. were dealt in on the exchange for many years without the public having any information regarding their affairs. (Mabon, R., 362, 366, 367, 379, 383.) They were in effect conducted and maintained as "blind pools." Those in control were thus enabled more freely to use their information for speculative purposes.

SECTION 7.—THE CONSOLIDATED EXCHANGE AND THE CURB.

There is also in New York a much smaller market for securities known as the Consolidated Stock Exchange, which is incorporated, and a market called the "Curb" for securities not listed on the New York Stock Exchange.

SECTION 8.—BOYCOTT OF CONSOLIDATED EXCHANGE.

The last named wages bitter warfare against the Consolidated for no other apparent reason than that the latter is a competitor. It has adopted and rigidly enforces a rule prohibiting any business transactions between its members and members of the Consolidated, and any communication by telegraph, telephone, messenger, or otherwise, directly or indirectly, between the places of business of its members and the places of business of members of the Consolidated. (Ely, R., 326; Mabon, R., 388.) Following the adoption of this rule members of the Consolidated Exchange having accounts with the New York Stock Exchange were required to close them out. (Heim, R. 756; Ober, R. 776; Dietz, R. 779; Jarvis, R., 780.) A member violating the rule is punished by suspension, usually for one year, during which time neither he nor his partners, if any, can execute orders on the exchange nor employ other members to do so and divide the commissions. (Ely, R., 327; Mabon, R., 388, 389.) So far-reaching is this prohibition that a member of the Consolidated Exchange owning securities listed only on the New York Stock Exchange could not sell them there, and therefore would be without a market except by private sale. (Ely, R. 329 330; Mabon, R. 386.) The president of the New York Stock Exchange admitted that the purpose of the rule is to drive the Consolidated out of business (Mabon, R., 387):

Q. Do you not regard that as a most oppressive and unjust rule?
A. I do not.
Q. How do you justify it? You are the president of the stock exchange. We would like to know how you justify it.

A. I justify it by the fact that the Consolidated Exchange is an organization that is a rival organization of our own, and this is a business that we have and is a business that we should be able to keep. I do not see any reason why we should not strengthen our institution as much as we can.

Q. But do you not keep all that business when your own listed stocks are sold on your own exchange through your own brokers?

A. What business?

Q. The business to which you refer. It does not take any business away from you, does it, for a member of the Consolidated Exchange to sell through your exchange stocks that are not listed on his exchange; but it gives you business, does it not?

A. Yes.

Q. And your refusal to take it really takes away business, does it not?

A. Yes.

Q. But you are willing to take away business, you are willing to drive away business, are you not, in order to prevent a man who is a member of another exchange from doing any business at all, and to drive him out of business?

A. Yes.

The committee can find no justification for the methods adopted by the New York Stock Exchange to exterminate its weaker rival.

SECTION 9.—CONDITIONS ON WHICH STOCK EXCHANGE MEMBERS MAY TRADE ON THE CURB.

Members of the New York Stock Exchange may engage in transactions on the "curb" so long as no issue of securities dealt in on the former is allowed to be dealt in on the latter. When an issue theretofore dealt in on the "curb" is listed on the New York Stock Exchange, trading therein on the former must cease, or reprisals from the latter may be expected. (Mabon, R., 460–462.) Some of the more important mining shares have recently been so transferred from the one market to the other. (Mabon, R., 461.) The "curb" lives by the mere sufferance of the exchange, and only so long as it meekly permits to be taken from it such business as the exchange concludes to take unto itself.

SECTION 10.—THE ENGRAVING MONOPOLY.

As stated, one of the requirements for listing is that the stock certificate or bond must be engraved by a company approved by the governing committee. (Ely, R., 326.) This is so even as regards government and municipal bonds. (Mabon, R., 391.) Indeed, the bonds of the city of New York are denied listing because not engraved by a company so approved. (Mabon, R., 391.) Observe that it is not the engraving which must be approved—that would be proper, but those doing it. Since virtually all important issues are sought to be listed on the New York Stock Exchange, this requirement enables the latter to create a monopoly of the business of engraving securities, and it has done so by confining its approval practically to one concern—the American Bank Note Co. and its affiliated companies, in which many members of the exchange and of powerful banking houses are financially interested. (Kendall, R., 898–900; Ex. 126, R., 900, 927.)

In response to recent protests and following a suit for damages by the New York Bank Note Co. against the members of the exchange, an attempt has been made to create an appearance of competition

which your committee, however, finds to be a mere pretext. The boycott against the New York Co., one of the reasons for which, as stated by the president of the exchange, is that the New York Co. has sued the members for conspiring to ruin it (Mabon, R., 391, 392), seems to your committee without justification or excuse.

SECTION 11.—ENFORCING UNIFORM COMMISSIONS.

The exchange enforces a uniform commission for buying and selling of one-eighth of 1 per cent for each $100 of par value—that is, both the broker buying and the broker selling must make this charge, regardless of the market value of the security. (Mabon, R., 389.) Under this rule a share of stock that sells at $5 must pay 25 cents on each transaction, whilst a stock selling at $200 pays no more. Government and municipal securities, however, are exempted. There is a special rate for mining stocks having a market value of $10 or less per share. (Mabcn, R., 391.) Members buying for their own account are charged a lower rate. (Mabon, R., 391.) Every conceivable device for departing from the prescribed rate is prohibited under the most severe penalties. (Mabon, R., 392, 393.)

As stated by Mr. Sturgis, a former president of the exchange, since 1876 a governor, and now the chairman of the law committee (R., 840, 841):

> The violation of the commission law we regard as one of the most infamous crimes that a man can commit against his fellow members in the exchange, and as a gross breach of good faith and wrongdoing of the most serious nature, and we consider it a crime that we should punish as severely as, in the judgment of the governing committee, the constitution permits.
>
> * * * * * * *
>
> Q. * * * But the breach of that rule (referring to the rule for uniform commissions) by a broker you consider the most heinous crime he can commit?
>
> A. It is absolute bad faith to his fellow men.

The rule is rigidly enforced by suspension from one to five years for a first violation and expulsion for a second. (Mabon, R., 389, 390.) The acknowledged object is to prevent competition amongst the members. (Mabon, R., 401, 402, 408.)

SECTION 12.—STRIKING SECURITIES FROM THE LIST.

The constitution of the exchange provides that the committee on stock list—

> shall have power to direct that any such securities or temporary receipts be taken from the list and further dealings therein prohibited;

and that the governing committee—

> may suspend dealings in the securities of any corporation previously admitted to quotation upon the exchange, or it may summarily remove any securities from the list. (Mabon, R., 465, 466.)

A regulation dated March 27, 1895, further provides that—

> Whenever it shall appear to the committee on stock list that the outstanding amount of any security listed upon the stock exchange has become so reduced as to make inadvisable further dealings therein upon the exchange, the said committee may direct that such security shall be taken from the list and further dealings therein prohibited. (Mabon, R., 466.)

Acting under this authority, the governing committee and the committee on stock list have frequently removed securities from the list. (Mabon, R. 466, 467; Pomroy, R., 473.) Stocks have been so removed on the ground of an insufficient amount outstanding simply because a large proportion of the issue has been acquired by some other corporation. (Mabon, R.. 406, 467.)

It follows from what has been said of the value of listing that taking a security from the list injures the holders by depriving them in large part of a market and making borrowing upon such security more difficult.

Mabon (R., 466):

Q. We have already discussed the privilege of having the stock on the list, have we not?

A. Yes.

Q. And there is no question about its great value and advantage in the ordinary run of cases. When a security is once upon the regular list and is an active security, and is being taken as collateral in the banks, and is therefore readily the subject of loans, it is a severe loss to the investor to have it taken from the list, is it not?

A. I should say so.

* * * * * * *

Pomroy (R., 474, 483):

Q. If a stock is upon the list and has been an active stock on the list, you realize, do you not, that its removal from the list is a great hardship upon the owners of that stock?

A. I do.

* * * * * * *

A. On the question of the removal of stocks from the list, the governing committee realizes that the question of removing a security from the list is a very serious one. As I have testified, we realize that it deprives a stock of a certain amount of its value, and of its borrowing power, and therefore they consider each case very carefully before the move takes place.

Obviously, therefore, the effect of prohibiting further dealings in the stock of a corporation when the great bulk of it has been acquired by one person, group, or corporation, is, whether intentionally or not, to coerce small stockholders into selling out to the majority holders.

Striking illustrations of the operation of this regulation were brought out at the hearings. Thus, on the reorganization of the Southern Railway Co. by J. P. Morgan & Co., a majority of its stock was placed in a voting trust, which deprived the stockholders of all representation and voting powers and vested the absolute control of the company in the trustees, J. P. Morgan, George F. Baker, and Charles Lanier, who, upon the transfer of the stock into their names, issued the usual trust certificates, which were listed and traded in on the exchange instead of the stock certificates. When this voting trust expired in September, 1902, the trustees, through J. P. Morgan & Co., requested certificate holders to extend the trust and not require the surrender of their stock, which would have restored to the stockholders their control over the property. New trust certificates were issued to those assenting to the extension, and these were listed on the exchange. In March, 1903, the old trust certificates were removed from the list, although there were at that time, which was six months after Messrs. Morgan had requested the extension of the voting trust, certificates representing 183,938 shares, whose holders were apparently unwilling further to resign their voting powers. The result was that those not assenting to the extension of the trust, and hence not taking new trust certificates, found themselves with

a security not listed on the exchange, and, therefore, without a ready market and not available as collateral. (Pomroy, R., 474–477; Ex. 224, R., 1955.) The listing of the extended certificates and the removal from the list of the old ones, whether so intended or not, operated as a means of coercing the holders of these 183,938 shares into exchanging their old certificates in order to get a listed security which could be sold or made available for borrowing purposes. It is now 19 years since that voting trust was created, and it has not yet been dissolved.

Again, in the development of the Tobacco Trust, those who were in control of the management organized a new company known as the Consolidated Tobacco Co., to the stock of which they alone were permitted to subscribe. They paid in 25 per cent of the $30,000,000 capital, and thereupon offered its 4 per cent bonds at par in exchange for the shares of the old American Tobacco Co. and the Continental Tobacco Co. at 200 and par, respectively. The bonds had no security behind them other than the stock that was being received in exchange and the subscriptions to the stock of the Consolidated Co. The exchange having proceeded until the Consolidated Co. had acquired all but 11,357 shares of the common stock of the old American Tobacco Co., the Morton Trust Co., whose vice president, Mr. Thomas F. Ryan, was one of the dominant factors in the Tobacco Trust, requested that this issue be taken from the list. The request was granted. The manner and effect of the removal in this instance are thus stated in the testimony of Mr. Pomroy (R., 480, 481):

Q. Let us have the documents on which you based that. The effect of that transaction of the Consolidated Tobacco Co., as to every American Tobacco Co. stockholder that went into it, was that that stockholder got 4 per cent bonds for his own stock at a rate of 200 for his stock.
A. Yes; I presume those were the terms.
Q. And the stock was paying 8 per cent then and was earning about 30 per cent?
A. I do not know.
Q. Do you not know the facts?
A. No, sir.
Q. Do you not know that the old American Tobacco Co. stock got to be worth a lot of money?
A. Oh, yes; I saw the quotations in the papers.
Q. It went to 50 or 600?
A. It went to a good price, I know.

* * * * * * *

Q. Do you mean to tell us that was all you had upon which you based your action in excluding this stock from the list?
A. I would not say that is all. It is all that I can recall at the present moment.
Q. Nothing but assertions of the assistant secretary of the Morton Trust Co. and of the secretary; is that right?
A. Yes.
Q. Did you know who was in control of the Morton Trust Co.?
A. No.
Q. You never heard of that? You never heard that Mr. Thomas F. Ryan was in control?
A. I saw by the letterhead that Thomas F. Ryan was vice president.
Q. Did you not know that he was the controlling man?
A. No.

* * * * * * *

Q. And you concede that it was a distinct injury to the outstanding stockholder to have his stock removed?
A. I concede that it was an injury; yes.
Q. I will read into the record a resolution of January 21, 1902, or, that is, the entry in the minutes of the meeting of that day.

Letter from the Morton Trust Co. states that there are only 11,357 shares of the common stock of the American Tobacco Co. actually outstanding.
The committee thereupon voted that the stock be stricken from the list on the 27th.

The effect of this action was to further the schemes of the promoters of this enterprise to take from the stockholders their equity and transfer that equity into the pockets of the promoters. When that stock was stricken from the list it ceased to be readily available as collateral, as it had lost its market quotation. Its best market thereafter was manifestly among the insiders, who understood its intrinsic value.

The holders of this stock, as did the holders of Southern Railway securities and of a number of others that have been striken from the list, presumably made their purchases while the securities were listed. They did nothing to forfeit their right to have them remain on the list and thereby keep the market they had when they acquired their holdings. Yet without reason or notice the holders find themselves confronted with the alternative of selling at a price fixed by the purchaser or having their market destroyed.

SECTION 13.—REHYPOTHECATION OF CUSTOMERS' SECURITIES.

The exchange has no rule prohibiting members from pledging the securities purchased for the account of a customer for a larger amount than is owing thereon, and the thing is constantly being done. (Sturgis, R., 794; Wollman, R., 1787.) It has, strange to say, grown to be a recognized business custom on the part of brokers in dealing with their customers' property that is pledged with them. In obtaining loans a broker will mix the securities offered by him as collateral without considering to whom they belong or the amount owing upon them by the customer. For example, as collateral for a given loan a broker will pledge indiscriminately securities purchased for the separate accounts of A, B, and C, and the amount he borrows will not be limited to the amount owing to him if he can obtain more. (Sturgis, R., 796–799.) As a result, if the broker fails, the customer can not get his securities by paying what he owes upon them; he must pay the entire loan or lose them. (R., 799.) Experience has shown that in such cases he loses his equity.

Even where securities held for a customer have been wholly paid for, no rule of the exchange specifically prohibits their use as collateral, although members doing so may be proceeded against under the rules punishing fraudulent acts and conduct detrimental to the exchange. (Sturgis, R., 795, 796.)

SECTION 14. UNWHOLESOME SPECULATION.

But it is in respect of the extent and character of the speculation in securities for which it is the agency that the New York Stock Exchange touches most vitally the affairs of the people of the entire country. This subject was investigated in 1909 by a committee on speculation in securities and commodities appointed by Gov. Hughes, of New York, and its complete report is annexed to the record as Exhibit No. 27. That committee had, however, no power to sub-

pœna witnesses or to send for books and papers. It was compelled to rely largely on statements formulated by the governors of the exchange in consultation with their counsel in answer to written questions. While opinions will differ as to the wisdom or adequacy of the recommendations of that committee, its distinguished personnel and exceptional qualifications are a guaranty of the thoroughness and accuracy of its findings of fact.

It found, among other things, that—

It is unquestionable that only a small part of the transactions upon the exchange is of an investment character; a substantial part may be characterized as virtually gambling.

The rules of all the exchanges forbid gambling * * * but they make so easy a technical delivery of the property contracted for that the practical effect of such speculation, in point of form legitimate, is not greatly different from that of gambling. Contracts to buy may be privately offset by contracts to sell. The offsetting may be done in a systematic way, by clearing houses, or by "ring settlements." Where deliveries are actually made, property may be temporarily borrowed for the purpose. In these ways, speculation which has the legal traits of legitimate dealing may go on almost as freely as mere wagering, and may have most of the pecuniary and immoral effects of gambling on a large scale.

A real distinction exists between speculation which is carried on by persons of means and experience, and based on an intelligent forecast, and that which is carried on by persons without these qualifications. The former is closely connected with regular business. While not unaccompanied by waste and loss, this speculation accomplishes an amount of good which offsets much of its cost. The latter does but a small amount of good and an almost incalculable amount of evil. In its nature it is in the same class with gambling upon the race track or at the roulette table, but is practiced on a vastly larger scale. Its ramifications extend to all parts of the country. It involves a practical certainty of loss to those who engage in it. A continuous stream of wealth, taken from the actual capital of innumerable persons of relatively small means, swells the income of brokers and operators dependent on this class of business; and in so far as it is consumed, like most income, it represents a waste of capital. The total amount of this waste is rudely indicated by the obvious cost of the vast mechanism of brokerage and by manipulators' gains, of both of which it is a large constituent element. But for a continuous influx of new customers, replacing those whose losses force them out of the "street," this costly mechanism of speculation could not be maintained on anything like its present scale.

That in large measure transactions in shares on the New York Stock Exchange are purely speculative is also evidenced by the high ratio of the sales of a given stock, during very short periods, to the total amount listed, and, further, by the gross disproportion between the number of shares sold and the number transferred on the company's books within stated periods, such transfers measuring in at least a rough way the purchases for investment.

With respect to dividend-paying stocks this method of arriving at the proportion of transactions on the exchange that is speculative errs largely on the side of conservatism. It includes as investment buying the large number of transfers that are made from one brokerage house to another in execution of purely speculative transactions.

These facts are brought out by a series of tables and charts contained in the record, comparing month by month, since 1906, the number of shares sold of various corporations and the number transferred and the total number listed on the exchange. There are also supplemental tables showing the sales day by day during the most active months. (Exhibits 74 to 108, inc., R., 1120–1178.)

The corporations selected for the purpose are Reading Co., United States Steel Corporation, Amalgamated Copper Co., Union Pacific Railroad Co., American Can Co., Rock Island Co., American Smelting & Refining Co., Columbus & Hocking Coal & Iron Co., Erie Railroad

Co., Consolidated Gas Co., Brooklyn Rapid Transit Co., Colorado Fuel & Iron Co., California Petroleum Co., and Mexican Petroleum Co.

The shares of the two last-named companies were only listed within the past year.

These tables and charts are annexed to this report as Appendix D. No adequate descriptive analysis of them can be made.

Stating the results shown, only in the most general way, it appears that there has not been a year since January 1, 1906, when the Reading Co.'s entire common stock issue listed and subject to sale was not sold at least 20 times over and from that on up to 43 times; that in a single month of that period it was sold 6 times over and that in only 2 months of the entire period was it sold less than once over in a single month; and that although it is a dividend-paying stock the number of shares transferred on the company's books averaged for the period 8.6 per cent of the shares sold.

Summarily stated, it further appears that in each year since January 1, 1906, the entire listed common stock issue of the United States Steel Corporation has been sold 5 times over each year on the average, while the number of shares transferred on the company's books has averaged 25 per cent of the number sold;

That in the same period the entire common-stock issue of the Amalgamated Copper Co. has been sold 8 times over each year on the average, while the number of shares transferred has averaged about 20 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Union Pacific Railroad Co. has been sold 11½ times over each year, while in 1912 the number of shares transferred was only 16 per cent of the number sold;

That in 1912 the entire listed common stock of the American Can Co. was sold 8¾ times over, while the number of shares transferred was 25 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Rock Island Co. has been sold twice over each year on the average, while the number of shares transferred has averaged little more than 27 per cent of the number sold;

That since January 1, 1906, the entire common-stock issue of the American Smelting & Refining Co. has been sold twelve times over each year on the average, while the number of shares transferred has averaged about 18 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Erie Railroad Co. has been sold more than twice over each year on the average, while the number of shares transferred has averaged only 30 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Consolidated Gas Co. has been sold more than once over each year on the average, while the number of shares transferred has averaged only about 40 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Brooklyn Rapid Transit Co. has been sold six times over each year on the average, while the number of shares transferred has averaged 23 per cent of the number sold;

That since January 1, 1903, the entire listed common-stock issue of the Colorado Fuel & Iron Co. has been sold five times over each year

on the average—in 1906, 18 times over—while the number of shares transferred has averaged less than 20 per cent of the number sold:

That in October, 1912, the first month during which the common stock of the California Petroleum Co. was listed, the entire issue was sold more than three and one-half times over; and

That in the seven months from April (when it was listed) to October, 1912, the entire common-stock issue of the Mexican Petroleum Co. was sold nearly nine times over.

Customers of members of the exchange are not required to pay more than 10 per cent of the purchase price of securities. A member of one of the largest brokerage houses in New York testified that 90 per cent of its business was done on that basis. (Wollman, R., 1787.) Of course, the smaller the margin required, the larger the number of shares a given sum will purchase and the wider the circle of people who will be engulfed in speculation.

Such excessive and indiscriminate speculation in stocks as is thus shown to be conducted on the New York Stock Exchange is not only hurtful in the way that all public gambling is hurtful, but in addition it withdraws from productive industry vast quantities of capital.

Statements compiled by accountants for the committee based on data obtained from only 32 of the banks and trust companies of New York City, members of the New York Clearing House Association, show that on November 1, 1912, these institutions, for themselves and for their out-of-town correspondents, had outstanding loans on stock-exchange collateral amounting to $766,795,000. (Niven, R., 955, 956; Ex. 133, R. 1192, 1193.) This apparently represents a substantial part of the sum required to carry stocks bought on margin on the New York Stock Exchange, but by no means measures the full extent. The calculation includes less than one-third of the total number of banks and trust companies of New York City, although it embraces most of the important ones. But it takes in none of the great international banking houses that are lenders for their own as well as for foreign account, nor does it include any of the large financial institutions of neighboring cities that lend on the exchange or through brokers, nor the many loans of this character made by individuals in one way or another. It is impossible upon the data before us reliably to estimate the full extent of the funds of the country employed in Wall Street speculation.

Of the amount stated, $240,480,000 was lent directly for the account of out-of-town banks by the institutions named, in addition to the sums that these out-of-town banks withdrew from their New York correspondents for the same purpose, attracted by the high rates offered. (Niven, R., 956.) And this at a time when money was needed for crop-moving and other legitimate commercial purposes.

That a check upon speculation is not only advisable but necessary is evident from the statement of Mr. Sturgis on that subject (R., 834):

Q. We are speaking of transactions that are made by members of your exchange in the way of short selling. Would not their books show whether or not they were selling short?

A. If the broker is operating for his own account, yes.

Q. And you say from a quarter to a half of the transactions on the exchange are for the broker's own account?

A. We agreed upon a third, I think.

SECTION 15.—MANIPULATION.

A very important phase of speculation on the New York Stock Exchange is the manipulation of prices up or down, as desired, without regard to the real value of the securities, and the creation of a false appearance of activity in particular stocks. Besides inciting, as intended, popular speculation, which rather should be discouraged, this practice prevents the exchange from faithfully reflecting the current value of securities—one of its true functions—and gives those controlling great supplies of capital a further power over the enterprises of the country, since the credit of corporations in no small degree is affected by the prices of their securities.

A favorite device of manipulation consists in the giving of simultaneous or substantially simultaneous orders by the same person or persons to buy and sell the same stock. In this way the market for a stock is given a false appearance of activity, the object being to draw the public into the speculation.

That prices on the exchange are artificially raised or lowered through the concentration of buying or selling orders, as the case may be, and that unreal appearances of activity are created through the giving by the same person or persons of simultaneous orders to buy and sell particular stocks, is not only admitted by officers of the exchange, but justified by them; provided only that the transactions are not purely fictitious—that is, so arranged that in reality the operator would be buying from and selling to himself.

Thus, Mr. Sturgis testified as follows (R., 808, 810, 811, 812):

Q. If a member of the exchange gives to one broker an order to buy 1,000 shares of stock and an order to sell 1,000 shares of the same stock, and both these orders are executed——

A. By different brokers?

Q. By different brokers.

A. And a commission paid?

Q. And a commission paid, which seems to be important——

A. Very.

Q. (Continuing.) That you consider a perfectly legitimate transaction?

A. That is not illegitimate.

Q. You think it is legitimate?

A. I do; providing, as I said here in this article, there is no knowledge and that the orders are given in equally good faith, with no collusion between the two parties.

* * * * * * *

Q. * * * Now, will you not tell us whether or not, when you were active in business, it was not then, as it is now, a common experience for pools and syndicates to manipulate the prices of a stock for the purpose of getting a higher level, or a lower level sometimes—sometimes to manipulate them for a higher level and sometimes to manipulate them for a lower level of prices?

* * * * * * *

A. I understand that he has testified in that regard, in saying that from all that he has heard, and the experience that he has had there, such things have been done. That is what he has answered. That is exactly what he has said.

Q. If he says that, very well, then. That is all we want.

A. That is what I have said.

Q. I understood you just to say that it was only hearsay evidence.

A. It is true of all expert testimony——

Q. That is all we care about, then. You consider that sort of an operation legitimate, do you?

A. I think I have answered that question.

Q. Will you not answer it again?

A. So far as my answer is concerned in the book——
Q. No, Mr. Sturgis, please do not——
A. Yes.
Q. Very well; that is an answer. How do you justify as legitimate the transactions of a pool or syndicate in giving out buying and selling orders to brokers for the purpose of lifting the price of the stock or of depressing it?
A. Those are the acts of individuals. I can not be responsible for what thousands of people throughout this country do.
Q. Do you seek to justify it?
A. It depends entirely upon circumstances. I have already said that under certain conditions, orders given out, commissions paid, no collusion whatsoever, the broker who buys not having the slightest idea where the order comes from that the broker executes to sell—I say it is not an illegitimate transaction.

* * * * * * *

Q. * * * Will you be good enough to answer that question? Is not the operation, at times, resorted to to depress prices, and at other times to lift prices?
A. Yes; I can consistently answer that.

* * * * * * *

Q. You approve of those transactions, do you?
A. I approve of transactions that pay their proper commissions and are properly transacted. You are asking me a moral question, and I am answering you a stock-exchange question.
Q. What is the difference?
A. They are very different things.
Q. I thought so. There is no relation between a moral question, then, and a stock-exchange question?
A. Sometimes.

Mr. Keppler, another governor of the exchange, gave similar testimony. (R., 855.)

The practices thus approved by the authorities of the exchange not only deceive the great body of the public as to the true state of the market and whet their appetite for speculation, but debase and make impossible of fulfillment the high office of the exchange as a register of the current values of securities, and draw from the channels of legitimate trade and commerce millions of the country's capital.

Columbus & Hocking Coal & Iron pool.—Perhaps the most notorious instance of manipulation in recent years was the operation in the stock of the Columbus & Hocking Coal & Iron Co., conducted by a pool of which James R. Keene was manager.

A pool is an agreement between named persons of firms to buy or sell within a stated period and in stated proportions, not exceeding a certain number of shares of a particular stock.

A manager is appointed who alone is authorized to direct the buying and selling for the account of the pool.

He is the gentleman who manipulates the stock, giving the buying and selling orders. (Morse, R. 710.)

If he merely wishes to make a stock appear active, he gives buying and selling orders in about equal volume; if he wishes to put up the price, he gives an excess of buying orders; if he wishes to depress, he gives an excess of selling orders. (Morse, R. 710, 711.)

A member is prohibited, of course, from selling or buying for his own account any shares of the stock in question so long as the pool is in existence.

This particular pool, which was formed in March, 1909, was composed of 10 stock exchange firms and James R. Keene, who, as stated was also the manager. (Morse, R., 711, 712.)

The effect of the operations of the pool upon the activity and price of the stock can be seen at a glance from a table and diagram in in the record. (Exs. 92 and 93, R., 1149, 1151.) In February, 1909, immediately preceding the formation of the pool, 8,650 shares of the Hocking stock were traded in out of a total issue listed of 69,304 shares. In March, when the pool began operations, 143,490 shares were traded in—more than twice the entire amount listed—while the price was forced up from 24 to 45. Thereafter, with less activity, the price was worked up through a calculated adjustment of buying and selling orders until it reached 92½ in January, 1910. There was no warrant for any such price, as the company was earning only one-half of 1 per cent on its capital. (Sturgis, R., 848.)

A statement from the books of one of the brokers employed by the pool, showing his purchases and sales of the stock day by day from November 12, 1909, to January 18, 1912, was furnished your committee. His total purchases in that period were 9,000 shares and sales 8,800 shares. (Criss, R., 912; Exs. 127, 128, 129, R., 1183.)

To illustrate the method of operations, on a typical day he received orders to buy 200 shares at 87¼ and at each ¼ down, and to sell 200 shares at 90 and at each ¼ up. (Criss, R., 911.)

Finally, on January 19, 1910, the stock was offered for sale in such volume that the pool could not absorb it, and on sales of 30,000 shares—nearly half the total number listed—the price broke in a few hours from 88 to 25, dragging to failure the stock exchange firms of Lathrop, Haskins & Co. and J. M. Fiske & Co., members of the pool, and Roberts, Hall & Criss, Mr. Criss being the "specialist" in the stock who had been engaged to execute orders for the pool. (Morse, R., 712, 713; Popper, R., 907, 908; Criss, R., 910, 911.) Mr. Criss thus testified as to the cause of the collapse (R., 910, 911):

Q. You bought 14,000 shares the last morning?
A. Yes.
Q. You were trying to keep up the market?
A. I was trying to support the market; yes.
Q. Where did all the stock come from?
A. It came in gradually at first, and after a while it seemed to come from all over the face of the earth. I could not say.
Q. Then you had to stand from under, did you?
A. I stayed there until they canceled my order, when I stopped trading in the stock. I bought only 100 shares under 70.
Q. Then you were swamped?
A. Yes, sir.
Q. And your firm went under as a result of that?
A. As a result of that; yes.
Q. Did you gather from this flood of selling orders that somebody on the inside was selling out the pool?
A. I thought something like that, sir.
Q. You know stock-exchange indications, do you not?
A. Well, yes.
Q. You know the danger signals?
A. I knew something was wrong, but I could not help but obey my order.
Q. Finally, what transpired with respect to the subject?
A. Will you explain just what you mean?
Q. I mean, what did you finally ascertain was the cause of the breaking of the pool?
A. That Lathrop & Haskins failed and that somebody leaked on the pool. We said somebody had leaked on the pool.
Q. Somebody leaked?
A. Leaked pretty heavily.
Q. Did you find out who it was who had sold out the pool?

A. There has always been rather a mystery about it. Eventually Mr. Keene settled.

Q. What is that?

A. Eventually we made a settlement with Mr. Keene, so I had my own opinion of the matter.

Subsequently the stock disappeared from the trading list after its price had fallen to $2 a share. (Morse, R., 713.) How much of it was unloaded on the public as the price was rising there is no way of ascertaining. (Morse, R., 716, 717.)

That the authorities of the exchange were aware of this operation while it was in progress is shown by the fact that the firm most prominently engaged in it on the floor of the exchange was "twice cautioned" by the president at the request of the law committee. (Sturgis, R., 845.)

Having this knowledge it would have been an easy matter for the law committee and the governing committee, under their power to inquire into the dealings of members and to make examinations of their books (Const., Art. XI, subd. 9; Art. XVII, sec. 7), to discover all those engaged in the operation and stop it. The accountant for the receiver in bankruptcy of one of the failed firms, with more limited facilities for examination, was able to uncover the "wash sales" and other manipulative transactions and the brokers who executed them. (Morse, R., 714–716.)

More remarkable even than the neglect of the authorities of the exchange to stop this operation when they knew it was going on was the theory on which they inflicted punishment after the pool collapsed. Of the 9 or 10 firms engaged in the pool, only the ones that failed were punished. They were expelled from the exchange. The others were neither expelled nor suspended, but merely "censured." Thus the punishment was inflicted, not for the character of the operations, since all were equally culpable in that regard, but for becoming insolvent in consequence of dealing beyond one's means.

This was admitted by Mr. Sturgis (R., 846):

Q. I should like to know why you should expel two members of a pool out of seven stock exchange firms for doing the same thing that the other five did simply because those two happened to fail at it.

A. Because they went away beyond their means.

Mr. Sturgis further stated that the members of this pool who did not fail were not punishable under the constitution of the exchange for the character of operations in which they engaged and that he did not think they ought to be (Sturgis, R., 846, 847):

Q. Do you mean to say that the things these seven firms did were not punishable under the constitution?

A. No; they were not punishable.

Q. Do you not think they ought to be?

A. We have not thought so heretofore.

Q. Do you not think so?

A. I do not think so; no.

Yet had they executed an order for a customer at less than the rate of commission fixed by the exchange, or held communication with a member of the consolidated exchange, they would have been punishable by suspension for not less than a year for the first offense and by expulsion for the second.

The Rock Island "episode" of December 27, 1909.—Another notable instance of manipulation brought out in the testimony occurred on December 27, 1909, when a firm of brokers, by direction of a leading figure in the financial world, gave orders to each of 20 brokers to buy at the opening of the market 2,000 shares of the common stock of the Rock Island Co., a holding corporation, controlling the Chicago, Rock Island & Pacific Railroad. (Mabon, R., 394, 395, 398, 399.) The price immediately rose 30 points, falling the same amount after the orders were executed, which was on the same day and only a few hours after the "operation" began. (Mabon, R., 398.)

A special committee of the exchange appointed to investigate this operation found—

> That said firm, and the members thereof, should have known, and must have known, that the execution of such an order in such a manner could serve no proper or legitimate purpose, but that the same would result in confusion, panic, and loss, and would create a fictitious condition of the market in the same stock, thus depriving the quotations of transactions upon the exchange of their value as standards of the real market value of securities. (Mabon, R., 398.)

Thereupon one member of the firm was suspended for 30 days and another for 60 days. (Sturgis, R., 841.) This mild punishment hardly bears out the statement of the president of the exchange that—

> One of the greatest efforts of the governors of the exchange is to stop manipulation. (Mabon, R. 394.)

Contrast it with the penalty of suspension for four years or expulsion for charging less than the prescribed rate of commission or communicating with a member of the consolidated exchange—infractions which, so far as the public is concerned, are not in the least harmful and would in fact if permitted be beneficial.

The California Petroleum Co. flotation.—A typical instance of manipulation for the purpose of stimulating speculation in a new security is the operation in the stock of the California Petroleum Co. begun in October last whilst this investigation was in progress and the subject of manipulation of securities on the stock exchange was under active discussion.

This company was organized in September, 1912, with an authorized capital stock of \$32,500,000—\$17,500,000 preferred and \$15,000,000 common—of which \$11,997,024 preferred and \$13,513,081 common was given in payment for the stocks of two California oil-producing companies. (Henry, R., 1251–1253.) Simultaneously, and as part of the plan, William Salomon & Co., bankers of New York, and associates, namely: Hallgarten & Co. and Lewisohn Bros., of New York, and a fourth not named, for \$8,215,662 in cash, purchased from the vendors \$10,000,000 of the preferred and \$7,572,845 of the common stock of the California Petroleum Co., which the latter had accepted in payment for the stock of the two producing companies, William Salomon & Co., Hallgarten & Co., and Lewisohn Bros. each taking $29\frac{1}{6}$ per cent and the unnamed associate $12\frac{1}{2}$ per cent. (Henry, R., 1253, 1255, 1270; Exs. 149–153, R., 1261–1266.)

Thereupon the bankers, as we shall hereafter call them, formed a syndicate in New York to underwrite \$5,000,000 of the preferred and \$2,500,000 of the common stock at the price of \$5,000,000, and sold to a London syndicate the same amount at the same price, leaving

the bankers at this point with a profit of $1,784,338 in cash and $2,572,845 in common stock, which latter they sold at 40 and 45. (Henry, R., 1271, 1285.)

The bankers also joined the New York syndicate, in which altogether there were 104 members, including—

(*a*) Three corporations affiliated with national banks—two of them in New York, one of which had a participation of $500,000 and the other $50,000, and one outside with a participation of $50,000;

(*b*) One trust company in New York with a participation of $50,000; and

(*c*) Twenty-four officers of banks, among them officers of four national banks in New York, two in Chicago, and one in Detroit, whose aggregate participations were $535,000, the largest single participation—$50,000—going to an officer of a Wall Street bank which lends on stock-exchange collateral. (Henry, R. 1271–1275.)

The stock was all sold at an advance of nearly $500,000 above the price at which it was underwritten on the day it was delivered to the bankers—October 2, 1912—and before any appreciable number of the syndicate had accepted the offers of participation. Thus nearly all the underwriters, including the bank officers, got their profits without having made any commitment; and none of them put up any money or had to take any stock. (Henry, R., 1277, 1278.)

Mr. Henry, of Salomon & Co., who was called as a witness in regard to this transaction, having refused to divulge the names of the national bank officers who received participations in this syndicate, his contumacy was certified to the House and from there to the United States attorney for the District of Columbia for prosecution under sections 102, 103, and 104 of the Revised Statutes. Your committee is of opinion that the information sought from Mr. Henry is germane to the question, Whether national bank officers are being influenced by any form of reward to lend the money of their banks on newly-listed and unseasoned stocks? It was impossible for the Committee without knowing the identity of the banks and officers to determine whether these participations to officers were given for the purpose of inducing the banks they served to accept these new securities as collateral for loans or whether they were so accepted.

The stock of the California Petroleum Co. was listed on the New York Stock Exchange on October 5, after the portion underwritten by the syndicate and the separate holdings of the bankers had all been sold. (Henry, R., 1281.)

Thereafter an operation in the stock was conducted (principally in the common) on the New York Stock Exchange by Lewisohn Bros., for the joint account of the bankers, for the purpose, as described, of "making a market." (Henry, R., 1282, 1283.) Under the general direction of Salomon & Co., Lewisohn Bros. would put in separate orders to different brokers on the morning of every day to sell on a scale up and to buy on a scale down, so adjusted that at the end of the day they would have bought and sold, so far as market conditions permitted, substantially the same number of shares. (Henry, R., 1282, 1284.) There is in the record a table showing the purchases and sales by Lewisohn Bros. and the prices day by day from October 5, when the stock was listed, through the end of that month, from which it appears that during that period of about 21 business days 163,000 shares

were purchased and 172,900 sold by Lewisohn Bros. for account of themselves and associates. (Ex. 132½, R., 1186.)

Under the influence of this operation the price of the common stock, starting at about 62¼, quickly rose to 72; it had fallen to 50 by December. (Henry, R., 1285, 1286.) Mr. Henry of Salomon & Co., stated that he supposed the public bought largely on the rise. (R., 1286.)

The total purchases and sales on the exchange during these 21 days were 362,270 shares, which was equal to over three and one-half times the total outstanding common stock.

It should be said that Mr. Henry testified that neither his firm nor any of the original purchasers, so far as he knew, made any profit on the stock market operation (except, of course, Lewisohn Bros. received the usual stockbrokers' commission), having sold their stock before buying it. (Henry, R.. 1281, 1282, 1284.) The purpose in this case apparently was to create an appearance of activity in the stock that would enable those to whom it had been sold to resell it to the general public at a profit. No action appears to have been taken by the exchange as the result of this operation, in which important banking houses, members of the exchange, were involved.

Time did not permit nor did the committee find it necessary to make specific proof of other cases of manipulation except as shown by the statistics to which we have referred. These cases were selected merely as illustrative of the procedure and purposes of such transactions.

SECTION 16.—SHORT SELLING.

In the usual acceptation of the term one sells short when he sells stock not owned by him, but which he borrows for delivery in the expectation that the price will fall, thereby enabling him to buy and return the borrowed stock at a profit to himself. The operation is not peculiar to the stock exchange, but is also familiar to the commodity markets. The extent to which it is practiced on the New York Stock Exchange could not be definitely ascertained.

Whilst your committee has not been impressed with the contention that short selling performs a valuable function in checking a rapid ascent of prices, it is enough to say that there seems no greater reason for prohibiting speculation by way of selling securities in the expectation of buying them back at lower prices than by way of purchasing them in the expectation of at once reselling at higher prices.

That is not to say, however, that means for facilitating short selling should be countenanced, since all speculation, whether for the rise or for the fall, needs to be curbed rather than stimulated. Therefore brokers should not be allowed to lend their customers' stocks to persons who have sold short and need stock with which to make deliveries.

The following extract from Mr. Sturgis's testimony fairly represents the stock exchange view of short selling and the arguments that are advanced to support it, (Sturgis R. 830, 831, 832, 833):

Q. Certainly. What is the purpose of short selling?
A. Generally speaking, to make a profit.
Q To make a profit by what process?
A By repurchasing the short sale at a declining price.

Q. That is, by selling a security that you have not got and gambling on the proposition that you can get it cheaper and deliver the thing that is sold? Is not that it?

A. That is the usual process—selling when you think the price is too high and repurchasing when you think it has reached the proper level.

Q. But is it, or not, the process of selling a thing you have not got?

A. It is.

Q. And is it, or not, with the idea that it will go lower, or can be depressed lower, and bought cheaper and delivered?

A. Truly.

Q. Do I understand that you regard that as legitimate and defensible?

A. Do you wish my personal expression of opinion?

Q. Yes.

A. I think it depends entirely upon circumstances.

Q. Under what circumstances would you regard that sort of short selling as legitimate and proper?

A. I would regard it so if there was a panic raging over the country and it was desirable to protect interests which could not be sold. I think it would be a perfectly legitimate thing to do.

Q. Let us see about that. If there was a panic raging over the country and a man sold stocks short, would not that simply add to the panic?

A. It might. Self-preservation is the first law of nature.

* * * * * * *

Q. But, as I understand it, if there is a panic raging over the country, you think it is defensible for a man to depress stocks by selling stocks he has not got, with the idea of adding to the panic?

A. Mr. Untermyer, if a person has property which is absolutely unsalable and he can, so to speak, protect his position by selling something for which there is a broad market——

Q. That he has not got?

A. (continuing). I do not consider it wrong.

Q. Mr. Sturgis, let us just analyze that, because I do not think I understand you. You do not want to be misunderstood, do you?

A. It is not my wish.

Q. And I do not want you to be misunderstood. Do you mean to say that if there is a panic raging it is a defensible thing for a man, under any circumstances, to sell stock that he has not got, with the idea of getting it back cheaper?

A. I do think it is defensible. I certainly think it is defensible.

Q. For what purposes does he do that except to try to make money?

A. To try to save his credit, perhaps.

Q. How does he save his credit in a panic by selling stocks that he has not got, with the idea of adding to the panic and getting them cheaper?

A. Because if he can make a profit on that sale it may repair the losses that he has made on stocks he can not sell.

Q. I see. You know that that would simply accentuate the fierceness of the panic, do you not?

A. It could not be otherwise.

Q. Certainly. And his only purpose in doing a thing of that kind in time of panic would be to make money, would it not?

A. To protect himself.

Q. It would be to make money, would it not?

A. Yes; and that would protect him.

Q. Of course it always protects a man to make money, no matter how he makes it, does it not?

A. Yes, sir.

Q. And that, you think, is justifiable?

A. I think under those circumstances it is.

Q. You do not want to make any further explanation of that proposition, do you?

A. I do not.

Q. Is it any more justifiable for a man to sell short in a panic than in a normal market?

A. It depends very much upon his financial necessities.

Q. Do you regard it as justifiable in a normal market for a man to sell a thing he has not got, with the idea of depressing prices in order to buy in the stock at a lower level?

A. I think it is a question between a man and his own conscience.

Q. I am asking for your judgment. You have been many years in the exchange, and you are a careful observer, and I would like to know your judgment.

A. I think a great many people deprecate it. Others approve it.
Q. Do you approve of it?
A. You ask me personally?
Q. Yes.
A. I never sold a share of stock short in my life.
Q. Then you do not approve of it, do you?
A. I just happen not to have done it. My private business, if you please, I beg you to omit.
Q. I have not asked you your private business.
A. Yes; you asked me what I did myself.
Q. I did not ask you that, sir; I asked you what you thought about it.

* * * * * * *

Q. Do you approve of short selling in others?
A. Under what conditions?
Q. Under any conditions.
A. Yes; under some conditions.
Q. Do you approve of short selling in a normal market?
A. I will answer that question by saying it is a moral question with the individual himself. It is not up to me to express my opinion upon it.
Q. Do you personally approve of short selling in a normal market?
A. Not I, personally; no.
Q. You do not. And is it or not the fact that the bulk of the short selling is done in a normal market?
A. I should say no; more often on an excited market.
Q. It is done every day, is it not?
A. Oh, yes; to some extent.
Q. And it is done in large volume, is it not?
A. At times.
Q. The stock exchange does not discourage it, does it?
A. The stock exchange does not enter into it at all.
Q. The stock exchange does not discourage short selling, does it?
A. The stock exchange takes no position in the matter at all.
Q. Has the stock exchange any rule or regulation against short selling?
A. None.
Q. Why is it not just as simple a matter for them to have a regulation against short selling as to have a regulation against a broker splitting his commissions?
A. There is no regulation against short selling; that is all I can say to you about it.

CHAPTER THIRD.—CONCENTRATION OF CONTROL OF MONEY AND CREDIT.

SECTION 1.—TWO KINDS OF CONCENTRATION.

It is important at the outset to distinguish between concentration of the *volume of money* in the three central reserve cities of the national banking system—New York, Chicago, and St. Louis—and concentration of *control* of this volume of money and consequently of credit into fewer and fewer hands. They are very different things. An increasing proportion of the banking recources of the country might be concentrating at a given point at the same time that *control* of such resources at that point was spreading out in a wider circle.

Concentration of *control* of money, and consequently of credit, more particularly in the city of New York, is the subject of this inquiry. With concentration of the *volume* of money at certain points, sometimes attributed, so far as it is unnatural, to the provision of the national-banking act permitting banks in the 47 other reserve cities to deposit with those in the three central reserve cities half of their reserves, we are not here directly concerned.

Whether under a different currency system the resources in our banks would be greater or less is comparatively immaterial if they continued to be controlled by a small group. We therefore regard the argument presented to us to show that the growth of concentration of the volume of resources in the banks of New York City has been at a rate slightly less than in the rest of the country, if that be the fact, as not involved in our inquiry. It should be observed in this connection, however, that the concentration of control of credit is by no means confined to New York City, so that the argument is inapplicable also in this respect.

SECTION 2.—FACT OF INCREASING CONCENTRATION ADMITTED.

The resources of the banks and trust companies of the city of New York in 1911 were $5,121,245,175, which is 21.73 per cent of the total banking resources of the country as reported to the Comptroller of the Currency. This takes no account of the unknown resources of the great private banking houses whose affiliations to the New York financial institutions we are about to discuss.

That in recent years concentration of control of the banking resources and consequently of credit by the group to which we will refer has grown apace in the city of New York is defended by some witnesses and regretted by others, but acknowledged by all to be a fact.

As appears from statistics compiled by accountants for the committee, in 1911, of the total resources of the banks and trust companies in New York City, the 20 largest held 42.97 per cent; in 1906, the 20 largest held 38.24 per cent of the total; in 1901, 34.97 per cent.

SECTION 3.—PROCESSES OF CONCENTRATION.

This increased concentration of control of money and credit has been effected principally as follows:

First, through consolidations of competitive or potentially competitive banks and trust companies, which consolidations in turn have recently been brought under sympathetic management.

Second, through the same powerful interests becoming large stockholders in potentially competitive banks and trust companies. This is the simplest way of acquiring control, but since it requires the largest investment of capital, it is the least used, although the recent investments in that direction for that apparent purpose amount to tens of millions of dollars in present market values.

Third, through the confederation of potentially competitive banks and trust companies by means of the system of interlocking directorates.

Fourth, through the influence which the more powerful banking houses, banks, and trust companies have secured in the management of insurance companies, railroads, producing and trading corporations, and public utility corporations, by means of stockholdings, voting trusts, fiscal agency contracts, or representation upon their boards of directors, or through supplying the money requirements of railway, industrial, and public utilities corporations and thereby being enabled to participate in the determination of their financial and business policies.

Fifth, through partnership or joint account arrangements between a few of the leading banking houses, banks, and trust companies in the purchase of security issues of the great interstate corporations, accompanied by understandings of recent growth—sometimes called "banking ethics"—which have had the effect of effectually destroying competition between such banking houses, banks, and trust companies in the struggle for business or in the purchase and sale of large issues of such securities.

SECTION 4.—AGENTS OF CONCENTRATION.

It is a fair deduction from the testimony that the most active agents in forwarding and bringing about the concentration of control of money and credit through one or another of the processes above described have been and are—

J. P. Morgan & Co.
First National Bank of New York.
National City Bank of New York.
Lee, Higginson & Co., of Boston and New York.
Kidder, Peabody & Co., of Boston and New York.
Kuhn, Loeb & Co.

We shall describe,

First, the members of this group separately, showing the part of each in the general movement and the ramifications of its influence:

Second, the interrelations of members of the group; and

Third, their combined influence in the financial and commercial life of the country as expressed in the greater banks, trust companies and insurance companies, transportation systems, producing and trading corporations, and public utility corporations.

SECTION 5.—J. P. MORGAN & CO.

Organization.—J. P. Morgan & Co. of New York and Drexel & Co. of Philadelphia are one and the same firm, composed of 11 members: J. P. Morgan, E. T. Stotesbury, Charles Steele, J. P. Morgan, jr., Henry P. Davison, Arthur E. Newbold, William P. Hamilton, William H. Porter, Thomas W. Lamont, Horatio G. Lloyd, and Temple Bowdoin. George W. Perkins was a member from 1902 until January 1, 1911. As a firm, it is a partner in the London banking house of J. S. Morgan & Co. and the Paris house of Morgan, Harjes & Co. (Morgan, R., 1004; Perkins, R., 1614.)

General character of business.—It accepts deposits and pays interest thereon and does a general banking business. It is a large lender of money on the New York Stock Exchange. More especially it acts as a so-called issuing house for securities; that is, as purchaser or underwriter or fiscal agent, it takes from the greater corporations their issues of securities and finds a market for them either amongst other banking houses, banks and trust companies, or insurance companies, or the general public. (Morgan, R., 1004, 1005, 1007, 1008.)

Resources, deposits, and profits.—Neither the resources and profits of the firm nor its sources of profit have been disclosed. Nor has your committee been able to ascertain its revenues from private purchases or sales of the securities of interstate corporations, nor from such of them as it controls under voting trusts, exclusive fiscal agency agreements, or other arrangements or influences, nor the identity of the banks, trust companies, life insurance companies, or other corporations that have participated in its security issues except where they were for joint account.

On November 1, 1912, it held deposits of $162,491,819.65, of which $81,968,421.47 was deposited by 78 interstate corporations on the directorates of 32 of which it was represented. (Ex. 154, R., 1339; Ex. 155, R., 1340.) The committee is unable to state the character of its affiliations, if any, with the 46 corporations on the directorates of which it is unrepresented by one or more members of the firm, as their identity was not disclosed.

Security issues marketed.—During the years 1902 to 1912, inclusive, the firm directly procured the public marketing of security issues of corporations amounting in round numbers to $1,950,000,000, including only issues of interstate corporations. (Ex. 156, R., 1341.) The volume of securities privately issued or marketed by it, and of intrastate corporations, does not appear. Nor is there information available of the extent to which they participated as underwriters in issues made by banks or banking houses other than those shown on the charts and lists in evidence.

Affiliations with Bankers Trust Co.—The Bankers Trust Co. was organized in 1903. As part of the plan of organization the entire capital stock, except qualifying shares held by directors, was vested for five years by an agreement dated March 18, 1903, in three trustees, George W. Perkins, then a member of Morgan & Co., Henry P. Davidson, then vice president of the First National Bank of New York and since January 1, 1909, a member of Morgan & Co., and Daniel G. Reid, then vice president of the Liberty National Bank and a director in the United States Steel Corporation and of other affiliated corporations, who were authorized to vote the same for all

corporate purposes and especially for the election of directors and in favor of the acquisition of other trust companies. (Ex. 54, R., 656; Davison, R., 1815–1817.) On March 18, 1908, the agreement was renewed for a further period of five years. Before the expiration of that extension a new agreement was made, dated March 9, 1912, substituting George B. Case, of counsel for the company, as voting trustee in place of George W. Perkins, who had retired from the firm of Morgan & Co. Apparently Mr. Case was proposed by Mr. Davison, whose personal counsel he is. (Exs. 54, 55, and 56, R., 656–667; Davison, R. 1823.)

Mr. Davison's explanation that the voting trust was devised by the "young men" who organized the company, to protect them from being despoiled of their property by promoters then at large in Wall Street, does not seem adequate when it is considered that the first board of directors of the company comprised—

Stephen Baker, then about 40 years of age and president of the Bank of the Manhattan Co., one of the large banks.

Samuel G. Bayne, now in the neighborhood of 70, then president of the Seaboard National Bank, another of the great banks.

E. C. Converse, 61 or 62 years of age, a member of the executive committee of the United States Steel Co., and then president of the Liberty National Bank.

Mr. Davison himself.

James H. Eccles, then president of the Commercial National Bank of Chicago, a former Comptroller of the Currency, and a banker of great experience.

A. Barton Hepburn, about 45, and then vice president of the Chase National Bank, and of wide reputation and banking experience.

William Logan, of the Hanover National Bank.

Gates W. McGarrah, then president of the Leather Manufacturers' National Bank, and an important man in banking circles.

George W. Perkins, than a partner of Morgan & Co.

William H. Porter, then president of the Chemical National Bank.

Daniel G. Reid, then, among other things, vice president of the Liberty National Bank, a director of the United States Steel Corporation, and widely known in the financial world.

Albert H. Wiggin, then vice president of the National Park Bank.

Edward F. C. Young, since deceased, president of the First National Bank of Jersey City, then over 60.

Samuel Woolverton, then president of the Gallatin National Bank; and

Robert Winsor, the leading partner in Kidder, Peabody & Co., one of the great international banking houses. (Davison, R., 1818–1821.)

Through the above-mentioned voting trust Morgan & Co. have the selection of the entire board of directors of the Bankers Trust Co. The firm and the individual members own $946,400 par value of its stock, and Mr. Davison, Thomas W. Lamont, and William H. Porter, members of the firm, are directors of the trust company. On January 2, 1912, the firm had on deposit with it $1,000,000. (Ex. 134–A, Interlocking Directorate Chart; Ex. 237; Ex. 219, R., 1948.)

The capital stock of the Bankers Trust Co. at the present time is $10,000,000; surplus, $10,000,000; undivided profits, $5,084,000; resources, $205,000,000; deposits, $168,000,000. (Frew, R., 602;

Ex. 134–A; Exs. 57 to 66, 66a–66e.) It started, March 30, 1903, with a capital of $1,000,000 and a surplus of $500,000; and about six months later its deposits were $5,748,000. (Frew, R., 600; Exs. 57 to 66, 66a–66e.)

In August, 1911, it absorbed the Mercantile Trust Co., one of the oldest and largest in New York, at that time controlled by the Equitable Life Assurance Society, a majority of whose stock was then, as now, owned by J. P. Morgan. In March, 1912, it absorbed the Manhattan Trust Co. (Frew, R., 605.)

Its unparalleled growth, whilst long established and efficiently managed and once powerful companies such as the Mercantile and Manhattan were declining until they were finally absorbed by this young rival, strikingly illustrates the power of Morgon & Co. and their allies.

Affiliations with Guaranty Trust Co.—In 1910 Henry P. Davison and William H. Porter, members of Morgan & Co., in association with others, purchased from the Mutual Life Insurance Co. and Mrs. Harriman 12,000 shares—6,000 from each—of the capital stock of the Guaranty Trust Co., out of a total of 20,000. Their purpose—subsequently abandoned—was to merge this company into the Bankers, which Morgan & Co. already controlled. At the same time the new holders, and upon their invitation the other stockholders also, by an agreement dated January 3, 1910, vested their shares in three trustees, Mr. Davison, Mr. Porter, and George F. Baker, president of the First National Bank, with authority to vote them for all corporate purposes and especially in the selection of the board of directors and in favor of acquiring other companies. (Davison, R., 1812–1817, 1824, 1826.)

Through this voting trust, therefore, Morgan & Co. controls absolutely the Guaranty Trust Co. Of its capital stock of $10,000,000 the firm and individual members own $844,600 par value, and Mr. Davidson, Mr. Porter, and Mr. Lamont, members of the firm, are directors of the trust company. On January 2, 1912, the firm had on deposit with it $1,101,000. (Ex. 237; Ex. 134–A; Ex. 219, R. 1948.)

Since the acquisition by Morgan & Co. of control of this trust company the latter has absorbed three others—the Morton Trust Co., the Fifth Avenue Trust Co., and the Standard Trust Co. (Davison, R., 1871.) Its resources are $232,000,000 and its deposits $189,000,000. (Ex. 134–A.)

The Guaranty and Bankers Trust Cos., thus controlled by Morgan & Co. through voting trusts, are, respectively, in point of resources and deposits, the first and second largest trust companies in the United States; nor is the former outranked in the amount of deposits by any bank of the country, and the latter by one only. Their combined resources are $437,000,000; their combined deposits, $357,000,000.

Affiliations with Astor Trust Co.—Mr. Davison, Mr. Lamont, and Mr. Porter are directors of this trust company. Including them, it also has 14 directors in common with the Bankers Trust Co. and 11 in common with the Guaranty. Its executive committee, of which Mr. Davison is chairman, is composed entirely of directors of the former. Ex. 134–A; Davison, R., 1811.) Its resources are $27,000,000; deposits, $23,000,000.

Affiliations with National Bank of Commerce.—Including the holdings of individual members of that firm, Morgan & Co. own $1,686,900 par value of the $25,000,000 of capital stock of the National Bank of

Commerce, and Mr. Davison and J. P. Morgan, jr., are directors thereof. Moreover, including the former, 12 directors of the Guaranty Trust Co., which is controlled by Morgan & Co., are directors of this bank. On January 1, 1912, it held deposits of Morgan & Co. to the amount of $1,084,000. Its resources are $190,000,000; deposits, $102,000,000. (Morgan R., 1037; Ex. 237; Ex. 134–A; Ex. 219, R., 1948.)

Affiliations with Liberty National Bank.—Mr. Davison is a director and chairman of the executive committee of this bank. Including him, it also has seven directors in common with the Bankers Trust Co. and five in common with the Guaranty; and a majority of its executive committee is composed of directors and the attorney of the former. Its resources are $29,000,000; deposits, $22,000,000. (Davison, R., 1810; Ex. 134–A.)

Affiliations with Chemical National Bank.—Mr. Davison and Mr. Porter are directors of this bank, the latter having been its president until he resigned in order to join the Morgan firm. Including them, four of its eight directors are directors of the Guaranty Trust Co. On January 2, 1912, Morgan & Co. had on deposit with it $837,000. Its resources are $40,000,000; deposits, $25,000,000. (Ex. 134–A.)

Affiliations with Equitable Life Assurance Society.—J. P. Morgan now owns and has owned since 1910 a majority of the capital stock of this great company, the resources of which are $504,000,000. (Morgan, R., 1067.)

Summary of affiliations with financial corporations.—Morgan & Co. and their nominees thus control or have a powerful voice in banks and trust companies in the city of New York with resources of $723,000,000. Its own resources are unknown, but adding only its deposits, $162,000,000, the amount becomes $885,000,000; adding the resources of the Equitable Life, it becomes $1,389,000,000.

Affiliations with New York Central & Hudson River Railroad and subsidiaries.—Mr. Morgan is a director and member of the executive and finance committees, of the New York Central & Hudson River Railroad, and the firm is a stockholder. (Morgan, R., 1008, 1013; Ex. 238.) It is the sole fiscal agent for that company and its principal subsidiaries—the Lake Shore & Michigan Southern, the Michigan Central, and the Cleveland, Cincinnati, Chicago & St. Louis Railroads; that is, sole agent to market their issues of securities. (Morgan, R., 1008; Ex. 142, R., 1098.) Since 1897, it has procured the marketing for them of 67 issues amounting to upward of $550,000,000. (Exs. 235, 236, R., 2127, 2140.) It has procured the marketing for two other subsidiaries, the Boston & Albany and the New York, Chicago & St. Louis, of five issues aggregating $40,000,000 since 1901. (Exs. 235, 236, R., 2127, 2140.) The capital stock and funded debt of the system is $1,150,000,000, and it controls 13,000 miles of road. (Ex. 134–A.)

Affiliations with New York, New Haven & Hartford Railroad and subsidiaries.—Mr. Morgan is a director of the New York, New Haven & Hartford Railroad and the firm is a stockholder. (Ex. 134–A, Ex. 238.) It is also sole fiscal agent for it and its principal subsidiaries—the Boston & Maine and the Maine Central Railroads. (Morgan, R., 1008, Ex. 141, R., 1096.) Since 1904 it has procured for them the marketing of 17 issues of securities amounting approximately to $188,000,000. (Exs. 235, 236, R., 2127, 2140.)

The capital stock and funded debt of the New Haven system proper is $385,000,000, and it controls 2,000 miles of road. (Ex. 134–A.)

Affiliations with the Northern Pacific Railway.—Morgan & Co. directed the reorganization of this company and became its fiscal agent, while Mr. Morgan became one of the three trustees to vote its stock under an agreement since expired. (Morgan, R., 1018, 1042; Davison, R., 1865.)

It is admitted that upon the expiration of these railroad voting trusts the directors named by the voting trustees have continued undisturbed, except where death required the filling of vacancies, and that these vacancies are usually filled by the remaining directors. (Morgan, R., 1044; Baker, R., 1499.)

Mr. Lamont, Mr. Morgan, jr., and Mr. Steele, of Morgan & Co., are now directors. (Ex. 134–A.) The firm is also a stockholder and a depositary for the funds of the company, and as fiscal agent has procured the marketing of its securities, including the issue of $215,-155,000 made jointly in 1901 with the Great Northern Railway for the purpose of acquiring the stock of the Chicago, Burlington & Quincy Railroad. (Ex. 238; Exs. 235, 236, R., 2127, 2140.) It has a capital stock and funded debt of $439,000,000, and controls 7,000 miles of road exclusive of the Chicago, Burlington & Quincy. (Ex. 134–A.)

Affiliations with Southern Railway.—Drexel, Morgan & Co. reorganized this system in 1894, and its stock is and always has been held since 1894 by Mr. Morgan, Mr. George F. Baker, and Mr. Charles Lanier as voting trustees. (Morgan, R., 1017–1019; Baker, R., 1523, 1524, 1559; Exs. 221, 222, R., 1949, 1952.) Mr. Steele is a director. (Ex. 134–A.) The firm is also a stockholder and the fiscal agent of the company, and since 1905 has procured for it the marketing of 32 issues of securities, aggregating approximately $130,000,000. (Ex. 238; Morgan, R., 1017; Davison, R., 1826, 1827; Exs. 235, 236, R., 2127, 2140.) The capital stock and funded debt of the system is $420,000,000 and it controls 7,000 miles of road. (Ex. 134–A.)

Affiliations with Reading Co.—In 1896 the Philadelphia & Reading Railroad was reorganized by Morgan & Co. as the Philadelphia & Reading Railway, the stock of which, with that of the Philadelphia & Reading Coal & Iron Co., was vested in Reading Co., a holding corporation, which subsequently acquired, through the agency of Morgan & Co., a majority of the stock of the Central Railroad of New Jersey, which controlled the Lehigh & Wilkes-Barre Coal Co. Incident to the reorganization there was created a voting trust, since expired, and Mr. Morgan became one of the voting trustees. (Morgan, R., 1041–1044.) Mr. Stotesbury is a director and the firm a stockholder of Reading Co., and Mr. Steele and Mr. Stotesbury are directors of the Central Railroad of New Jersey. (Ex. 134–A; Ex. 238.) The marketing of the only security issues of the company in recent years was procured by the firm. (Ex. 235, R., 2137.) The capital stock and funded debt of the system is $366,000,000; its subsidiary railroads transport one-third of the anthracite coal moving from the mines and its subsidiary coal companies control approximately 63 per cent of the entire anthracite deposits. (Ex. 134–A; Baker, R., 1507.)

Affiliations with Erie Railroad.—Mr. Morgan was one of the three voting trustees of this company from the time of its reorganization

by his firm in 1895 until the dissolution of the voting trust. (Morgan R., 1041–1043.) Mr. Steele and Mr. Hamilton are directors, as are Mr. Perkins, until recently a member of Morgan & Co., and Mr. Stetson, their counsel. (Ex. 134–A.) Morgan & Co. is also a stockholder. (Ex. 238.) Since 1900 the firm has procured for the company the marketing of issues of securities aggregating approximately $100,000,000. (Ex. 235, R., 2130.) The capital stock and funded debt of the system is $418,000,000, and it controls 2,000 miles of road, being one of the principal carriers of anthracite coal, a large production of which it controls through subsidiary mining companies, the largest of which, the Pennsylvania Coal Co., it acquired in 1901 through the agency of Morgan & Co. It has also controlled since 1898, through stock ownership, the New York, Susquehanna & Western Railroad a rival carrier of anthracite coal, and in the directorate of which Morgan & Co. has four representatives. (Baker, R., 1477–1479, 1514, 1515.)

Affiliations with Lehigh Valley Railroad.—Mr. Steele and Mr. Stotesbury are directors of this road—another of the leading carriers of anthracite coal, a large production of which it controls through subsidiary mining companies. In 1909 the marketing of an issue of $3,000,000 of its bonds was procured by Morgan & Co. Its capital stock and funded debt is $130,000,000. (Ex. 134–A; Ex. 235, R., 2131; Baker, R., 1507.)

Affiliations with Chicago Great Western Railroad.—Morgan & Co. only recently reorganized this road, and Mr. Morgan is a voting trustee, together with George F. Baker, and Robert Fleming, of London. Mr. Steele is a director. The marketing of its securities was procured by the firm, which is also a stockholder. It has a capital stock and funded debt of $128,000,000, and controls about 1,000 miles of road. (Morgan, R., 1041, 1042; Baker, R., 1523; Ex. 235, R., 2129; Ex. 134–A.)

Affiliations with Atchison, Topeka & Santa Fe Railway.—Mr. Steele is a director and the firm is a stockholder, and since 1902 has procured the marketing of nine security issues of the company, aggregating approximately $195,000,000. Its capital stock and funded debt is $627,000,000, and it controls 11,000 miles of road. (Ex. 134–A; Ex. 235, R., 2127; Ex. 238.)

Affiliations with Pere Marquette Railroad.—This road was also reorganized through Morgan & Co. Mr. Porter and Mr. Perkins are directors; the firm is a stockholder and fiscal agent and in 1911 procured the marketing of an issue of $8,000,000 of its securities. Its capital stock and funded debt is $95,000,000 and it controls 2,000 miles of road. (Ex. 134–A; Ex. 235, R., 2137; Ex. 238; Morgan, R., 1008.)

Affiliations with Cincinnati, Hamilton & Dayton Railway.—Mr. Morgan is one of the three voting trustees of this company. (Ex. 134–A.) His firm were the syndicate managers and controlled the recent reorganization of the property. (Morgan, R., 1043.)

Affiliations with International Mercantile Marine Co.—This company was organized in 1902 by Morgan & Co. to take over various steamship lines—among them, the American, the Atlantic Transport, the Dominion, the Leyland, the National, the Red Star, and the White Star Lines. (Morgan, R., 1041.) Its stock at the time was vested and has remained in a voting trust, Mr. Morgan and Mr. Steele being

two of the five voting trustees. (Morgan, R., 1044.) Mr. Morgan, jr., Mr. Steele, and Mr. Perkins are directors. (Ex. 134-A.) The firm markets the securities of the company and is also a stockholder. (Exs. 235, 236, R., 2127, 2140.) Its capital stock and funded debt is $173,000,000 and its annual gross income around $39,000,000. (Ex. 134-A.)

Affiliations with other transportation systems.—Mr. Steele is a director of the Adams Express Co. (Ex. 134-A.)

Mr. Coster, then a member of Morgan & Co., was a voting trustee of the stock of the Baltimore & Ohio Railroad Co. following its reorganization in 1899. (Ex. 200, R., 1716.)

Mr. Morgan is a director of the New York, Ontario & Western Railway Co. and the firm procured the marketing for it of a security issue of $2,000,000. (Ex. 134-A; Ex. 235, R., 2136.)

The firm is fiscal agent of the Chicago, Indianapolis & Louisville Railroad Co. and the Chicago & Western Indiana Railroad Co., and as such marketed for the former in 1899 an issue of $7,750,000 of stock and for the latter between 1904 and 1912 six issues, aggregating approximately $17,000,000. (Morgan, R., 1007, 1008; Ex. 235, R., 2129, 2130.)

It has procured the marketing, generally in joint account with certain other banking houses, as will hereafter appear, of the security issues of other railroad companies, as follows:

Atlantic Coast Line Co., six issues since 1902, aggregating $49,000,000.

Louisville & Nashville Railroad Co., seven issues since 1902, aggregating $90,000,000.

Central of Georgia Railway Co., three issues since 1900, aggregating $18,500,000.

Chesapeake & Ohio Railway Co., 18 issues since 1899, aggregating $73,000,000.

Chicago, Burlington & Quincy Railroad Co., six issues since 1902, aggregating $81,000,000.

Hocking Valley Ry., 19 issues since 1899, aggregating $28,000,000.

Elgin, Joliet & Eastern Railroad Co., two issues in 1898 and 1907, $7,915,000.

Florida East Coast Railway Co., one issue in 1909, $10,000,000.

Great Northern Railway Co., one issue in 1911, $20,000,000.

Illinois Central, one issue in 1905.

Kansas City Terminal Railway Co., four issues since 1910, aggregating $31,400,000.

Pennsylvania Railroad Co., one issue in 1905 of $100,000,000.

Portland Terminal Co., one issue in 1912, $4,500,000.

St. Louis & San Francisco Railway Co., two issues in 1903, $6,265,000.

Terminal Railroad Association of St. Louis, five issues since 1902, aggregating $14,700,000.

Toledo, Canada Southern & Detroit Railroad Co., one issue in 1906, $1,600,000.

Wabash Railroad Co., one issue in 1906, $6,180,000. (Ex. 235, R., 2127-2139; Ex. 236, R., 2140.)

Affiliations with United States Steel Corporation.—The organization of this corporation, including the underwriting of $1,014,446,400 of

stock and $304,000,000 of bonds, par value, was directed and absolutely dominated by Morgan & Co. Mr. Morgan approved the prices at which the stocks of the various constituent companies were taken over, and named the entire first board of directors. No director has been chosen since without his approval. He designated Judge Gary to succeed Mr. Perkins, of his firm, as chairman of the finance committee, which also exercises the powers of an executive committee. (Morgan, R., 1024–1026; R., 1800–1802.) Mr. Morgan, Mr. Steele, Mr. Morgan, jr., and Mr. Perkins are directors, and the last two named are members of the finance committee. (Ex. 134–A; Morgan, R., 1026; Perkins, R., 1615, 1616.) The firm is fiscal agent and a depositary of the corporation, and also a stockholder. (Morgan, R., 1013, 1027.) In 1902 it procured for the corporation the marketing of an issue of $100,000,000 of bonds, and in 1911 and 1912, for the Illinois & Indiana Steel Cos., and the National Tube Co., subsidiaries, issues of $15,500,000, $15,000,000, and $10,000,000, respectively. (Ex. 235, R., 2139.) The capital stock and funded debt of the corporation is $1,440,000,000, and its annual gross earnings are upward of $600,000,000. (Ex. 134–A.)

Affiliations with International Harvester Co.—This corporation was organized by Morgan & Co. (Perkins, R., 1617.) Mr. Perkins, who was the partner actively in charge of the matter, named the first board of directors and became chairman of the finance committee and one of three voting trustees in whom the stock of the company was vested as part of the plan of organization. (Perkins, R., 1617, 1618.) He is still a director and chairman of the finance committee; the voting trust expired August 1, 1912. (Perkins, R., 1618.) Mr. Steele is also a director. (Ex., 134–A.) The firm is a stockholder, and has marketed for the company since its organization securities to the amount of $40,500,000. (Ex. 238; Ex. 235, R., 2131.) Its capital stock and funded debt is $160,000,000 and its annual gross earnings are around $108,000,000. (Ex. 134–A.)

Affiliations with General Electric Co.—Morgan & Co. was one of the organizers of this company and had two representatives, J. P. Morgan and Charles H. Coster, on its first board of directors. Mr. Morgan and Mr. Steele are now directors. (Ex. 134–A.) The firm is a stockholder and a depositary of the company and markets its security issues. (Ex. 238; Ex. 235, R., 2131; Davison, R., 1874.) Its capital stock and funded debt is $113,000,000 and its annual gross earnings are around $73,000,000. (Ex. 134–A.)

Affiliations with other producing and trading corporations.—Mr. Lamont is a director of the J. I. Case Threshing Machine Co. and the firm is a stockholder thereof and in 1912 procured to be marketed for it an issue of $8,000,000 stock. (Ex. 238; Ex. 235, R., 2131.)

The firm is a stockholder of the United Dry Goods Co., has a representative in its directorate, and in 1909 and 1910 procured to be marketed for it issues of $14,189,400. (Ex. 238; Ex. 235, R., 2131; Davison, R., 1867.)

Mr. Stotesbury is one of three voting trustees of the William Cramp Ship & Engine Building Co. and a director of the Baldwin Locomotive Works, and the firm (Drexel & Co., Philadelphia) has marketed the securities of each. (Morgan, R., 1044; Baker, R., 1528, 1529.)

Mr. Morgan is a director of the Pullman Co. (Ex. 134–A.)

Mr. Lamont is a director of the Westinghouse Electric & Manufacturing Co. and a voting trustee of the International Agricultural Corporation. (Ex. 134-A; Davison, R., 1866.)

It has procured, generally in joint account, as will hereafter appear, the marketing of issues of securities of other producing and trading corporations as follows:

American Agricultural Chemical Co., $800,000 in 1908 and $4,000,000 in 1911.

Associated Merchants Co., $5,000,000 of stock in 1901.

Atlas Portland Cement Co., $4,000,000 in 1910.

Cudahy Packing Co., $4,000,000 in 1909.

Hartford Carpet Co., in 1901.

Keystone Coal & Coke Co., $5,300,000 in 1911.

United Fruit Co., $4,250,000 in 1908.

United States Motor Co., $1,750,000 in 1910.

United States Rubber Co., $8,000,000 in 1908.

Virginia-Carolina Chemical Co., $7,000,000 in 1903.

Western Electric Co., $6,250,000 in 1910. (Ex. 235, R., 2127, 2139.)

Affiliations with American Telephone & Telegraph Co.—Mr. Davison is a director and the firm is a stockholder and since 1906 has procured, generally in joint account with affiliated banks and bankers as will hereafter appear, the marketing of four issues of its securities aggregating approximately $240,000,000; four issues of the New York Telephone Co., a subsidiary, aggregating $37,500,000; an issue of $5,000,000 of the Chicago Telephone Co., another subsidiary; and an issue of $16,500,000 of the Pacific Telephone & Telegraph Co., still another subsidiary. (Ex. 235, R., 2127; Ex. 238.) Its capital stock and funded debt is $621,000,000 and its annual gross income around $179,000,000. (Ex. 134-A.)

Affiliations with Western Union Telegraph Co.—Mr. Morgan and Mr. Davison are directors. Its capital stock and funded debt is about $160,000,000 and its annual gross earnings around $40,000,000. (Ex. 134-A.)

Affiliations with Interborough Rapid Transit Co.—Morgan & Co. are its bankers, and the head of a syndicate to purchase an impending bond issue by it of about $170,000,000. It operates the subways in the city of New York. Excluding the impending issue, its capital stock and funded debt is $84,000,000. Its stock is owned by the Interborough Metropolitan Co., the capital stock and funded debt of the entire system being $364,000,000. (Baker, R., 1553-1555; Davison, R., 1849-1853; Ex. 134-A.)

Affiliations with Hudson & Manhattan Co.—This company owns and operates the tunnels under the Hudson River connecting New York and New Jersey. Morgan & Co. procured the marketing of its security issues and is itself a large holder thereof. Kuhn, Loeb & Co., however, are directing the readjustment of its debt now under way. Its capital stock and funded debt is about $97,000,000. (Baker, R., 1554; Schiff, R., 1669, 1670; Ex. 134-A.)

Affiliations with Philadelphia Rapid Transit System.—Mr. Stotesbury and Mr. Lloyd, members of the firm, are directors of the company. Its capital stock and funded debt is $134,000,000 and its annual gross earnings around $23,000,000. (Ex. 134-A.)

SECTION 6.—THE FIRST NATIONAL BANK OF NEW YORK.

Organization, capital, and management.—The First National Bank was organized in 1863, with a capital stock of $300,000, which was increased the next year to $500,000, where it remained until 1901, when it was increased to $10,000,000—100,000 shares—through the declaration of a special dividend of $9,500,000—1900 per cent on the existing capital stock. (Ex. 194, R., 1479; Baker, R., 1420-1422.) The surplus is now $15,000,000; and undivided profits are $5,896,827. (Ex. 194, R., 1479.) The directors are George F. Baker, George F. Baker, jr., James A. Blair, Henry P. Davison, H. C. Fahnestock, A. B. Hepburn, James J. Hill, F. L. Hine, A. C. James, Thomas W. Lamont, J. J. Mitchell, William H. Moore, J. P. Morgan, and C. D. Norton, of whom Mr. Baker, Mr. Morgan, Mr. Hepburn, and Mr. Hine constitute the executive committee. Mr. Hine is president. (Ex. 134-A; Hine, R., 2020, 2021.)

Among the principal stockholders are George F. Baker with 20,000 shares out of a total of 100,000; his son, George F. Baker, jr., with 5,050; Morgan & Co. with 14,500; Henry P. Davison with 1,000; Thomas W. Lamont with an amount not stated, but less than 1,000 Francis L. Hine with 1,600; James J. Hill, with 3,900; the Mutual Life Insurance Co. of New York with 1,000; and Mrs. Mary Clark Thompson, whose holdings of 9,000 shares are voted by proxy which in the last annual election was held by three gentlemen, one of whom was a partner of Morgan & Co., and the other president of the Chase National Bank, which, as will later appear, has long been controlled by the First National. (Baker, R., 1435, 1436; Ex. 212, R., 1894.)

George F. Baker its ruling spirit.—From 1874 until recently Mr. Baker was president and is now chairman of the board of directors and of the executive committee; as stated, he owns 20,000 and his son 5,050 of its 100,000 shares of capital stock; and for more than a generation has controlled and dominated its management. (Baker, R., 1419, 1436, 1437.)

General character of business.—Besides doing the ordinary business of a national bank, it acts as an "issuing house" (defined above) for corporate securities, usually in syndicates with other such houses, rarely alone; and is also a large lender of money on the New York Stock Exchange. It has approximately $43,000,000 invested in bonds; it directly owns no stocks. (Baker, R., 1519; Hine, R., 2030, 2031; Ex. 133, R., 1201.)

Resources, deposits, and profits.—Its resources, in round figures, are $150,000,000; deposits, $106,000,000, of which, on January 1, 1912, $32,426,854.48 belonged to 155 interstate corporations, names not disclosed. (Ex. 198, R., 1571; Baker, R., 1495; Ex. 134-A.)

From 1889 to 1901 dividends were paid at the rate of 100 per cent per annum on a capital stock of $500,000. In 1901 there was a dividend of $10,750,000—2,150 per cent—$9,500,000 of which was declared for the purpose of increasing the capital stock to $10,000,000. Yearly dividends on the increased capital stock have been—

	Per cent.
1902, 1903, and 1904	20
1905	26¼
1906	26¼
1907	32

	Per cent.
1908	126
1909 and 1910	28
1911	38
1912	33

making total dividends for 11 years, 398 per cent on its increased capital of $10,000,000, or an aggregate of $39,800,000. (Baker, R., 1420–1422; Ex. 194, R., 1479.)

The present market value of the stock is upward of $1,000 a share. (Davison, R., 1880.)

Affiliations with the First Security Co.—This company was organized in February, 1908, under the laws of New York with a capital stock of $10,000,000, by stockholders of the First National Bank, who authorized the officers of the bank to subscribe for and hold the stock of the new company as trustees under an agreement requiring that the stock of the security company shall always be owned by the same persons who own the stock of the bank and in the same proportions, and that no person not a director of the bank shall be a director of the security company. The agreement also provides that the trustees shall always be the president, vice presidents, and cashier of the bank for the time being. The stock of the security company was paid for out of a special dividend of $10,000,000 declared by the bank. (Baker, R., 1420–1424, 1427–1435, 1491, 1492, 1497, 1498; Hine, 2021–2029; Morgan, R., 1035, 1036; 1074–1078; Ex. 195, R., 1481; Ex. 196, R., 1485.) The certificates of stock of the bank bear the following indorsement (Ex. 195, R., 1482–1483):

The registered holder of the within certificate is entitled for and in respect of each and every share of stock of the First National Bank of the city of New York represented thereby to share equally and ratably with all holders of stock certificates of the bank similarly indorsed, according to their several interests, in the dividends or profits and, in case of dissolution, in the distribution of the capital of the First Security Co., a corporation of the State of New York, organized in pursuance of a certain written agreement dated February 14, 1908, between George F. Baker and others, trustees, and J. Pierpont Morgan and others, stockholders; such interest of the owner of the within certificate and of all other like certificates, similarly indorsed, being subject to all the terms, conditions, and limitations of said agreement, such ratable interest to be sold or transferred ratably only by the transfer upon the books of the bank of one or more of the shares of the stock in the bank represented by a bank stock certificate bearing this indorsement; and all of the interest in and to or in respect of said security company or its capital stock, represented by a bank stock certificate bearing this indorsement, shall pass ratably with and only with the transfer of such shares of the bank represented by such bank stock certificate, and upon transfer thereof upon the books of the bank and an interest in the security company attached to any share of the bank shall be alienable only in connection with such transfer of such bank stock.

No holder of the within certificate or any transferee of any share thereby represented shall be entitled in lieu thereof to demand or to receive from the bank a new certificate except with this indorsement thereon; and a transfer of any share of bank stock represented by the within bank stock certificate shall be made by any holder thereof only to a transferee accepting therefor a new certificate bearing his indorsement.

No right to vote upon or in respect of any stock of the security company passes to or shall be exercised by the holder of the within certificate, such right being reserved to and by the trustees or their successors.

——— ———,
——— ———,
——— ———,
Trustees.

By ——— ———,
Agent.

In accordance with the agreement, the security company has always had the same directors as the bank. Mr. Baker, chairman of the board of directors of the bank, and Mr. Hine, its president, are, respectively, president and vice president of the security company. The business of the two institutions is conducted in the same offices and through the same officers and clerks. (Baker, R. 1431; Hine, R., 2043.)

The purpose of the stockholders of the bank in organizing the security company was to continue together in a kind of business—buying, selling, dealing in, and holding corporate stocks—which some years before the bank had been advised by the Comptroller of the Currency it could not lawfully do. (Baker, R., 1431, 1432.)

The bank thereupon sold to the security company at the cost of these stocks to the bank many years before and irrespective of their then value, the stocks of many railroad and industrial corporations, including among the former stocks of the Delaware, Lackawanna, & Western, the Lehigh Valley, the Great Northern, the Northern Pacific, and the Southern. The largest holdings were in the anthracite shares. (Baker, R., 1427, 1428, 1505, 1530; Hine, R., 2021-2029.)

Prior to this time Mr. Baker had accumulated in the interest of the bank, but not with its funds, shares of other banks, including 28,632 out of a total of 50,000 in the Chase National Bank, 5,400 in the National Bank of Commerce, 2,500 in the Bankers Trust Co., 928 in the Liberty National Bank, 200 in the Astor Trust Co., 250 in the New York Trust Co., 50 in the Brooklyn Trust Co., all of New York; 500 in the First National Bank of Minneapolis and 200 in the Minneapolis Trust Co. These he turned over to the security company at cost. (Baker, R., 1427-1429; Hine, R., 2025.)

The company has paid dividends since its organization at the rate of 12 per cent per annum—17 per cent last year; and in addition has accumulated in its four years of existence a surplus of $4,000,000—40 per cent of its capital stock. (Baker, R., 1433.)

The assets of the security company are carried on the books at a nominal valuation—the price it paid for them, which was the price paid by the bank and Mr. Baker many years ago. The officers did not wish to disclose the true value. When pressed, the vice president stated $35,000,000 as the value of the securities for which the security company paid the bank $10,000,000, but acknowledged that to be a very conservative estimate. (Hine, R. 2027, 2028.)

Affiliations with the Chase National Bank.—Mr. Baker and his son, George F. Baker, jr., Mr. Hine, Mr. Hill and Mr. Hepburn, directors of the First National, are five of the nine directors of the Chase National Bank, and Grant B. Schley, Mr. Baker's brother-in-law, is a sixth. (Ex. 134-A.) As before stated, prior to 1908, Mr. Baker acquired in the interest of the First National 28,632 shares—a majority—of the stock of the Chase Bank, transferring them in that year to the First Security Co.—an arm of the First National. A few days before Mr. Baker appeared before the committee 15,000 of the shares were sold, at his suggestion, as he testified, to Mr. Wiggin, president of the Chase Bank. The witness declined to state the price per share that was paid for the stock. No change in the management was contemplated, however, and, in fact, subsequent to the

sale the old directors were all reelected. (Baker, R., 1424–1430, 1440, 1496–1499.)

The capital stock of the Chase Bank is $5,000,000, having been increased from $1,000,000 in 1906 through the declaration of a dividend of 400 per cent. It has paid dividends on the increased capital at the rate of 20 per cent and has a surplus of $9,000,000. It is one of the principal correspondents of out-of-town banks, holding deposits of over 3,000 of them, and is known as the bank of banks. It has resources of $150,000,000 and deposits of about $128,000,000, and is one of the largest lenders on the New York Stock Exchange. (Baker, R., 1500, 1501; Ex. 133, R., 1198.)

Affiliations with National Bank of Commerce.—The First Security Co. owns $540,000 and Mr. Baker $460,000 par value, of the capital stock, and Mr. Baker, chairman of the board, and Mr. Hine, president of the First National, are directors, the latter being also a member of the executive committee. (Baker, R., 1428, 1460; Hine, R., 2021; Ex. 134–A.)

Affiliations with Liberty National Bank.—The First Security Co. is a stockholder and Mr. Hine is a director and member of the executive committee. (Baker, R., 1428; Ex. 134–A.)

Affiliations with Astor Trust Co.—Mr. Baker and associates organized the Astor National Bank, subsequently converting it into the Astor Trust Co. He and Mr. Hine are directors and he and the First Security Co. are small stockholders. (Baker, R., 1428, 1447, 1460; Ex. 134–A.)

Affiliations with Bankers Trust Co.—The First Security Co. owns $250,000 and Mr. Baker $150,000, par value, of the capital stock; Mr. Hepburn, Mr. Hine, and Mr. Norton are directors, and Daniel G. Reid, a stockholder of the First National, is one of the three voting trustees. (Baker, R., 1428, 1460; Hine, R., 2025; Ex. 134–A.)

Affiliations with Guaranty Trust Co.—Mr. Baker owns $100,000 of the capital stock, par value, and is one of the three voting trustees. (Baker, R., 1447–1450, 1460.)

Affiliations with Illinois Trust & Savings Bank of Chicago.—Mr. Mitchell, president of this bank, is a director in the First National and Mr. Hill is a director of both. (Ex. 134–A.)

Affiliations with Mutual Life Insurance Co.—Mr. Baker, in length of service, is the oldest trustee and member of the finance committee, and until recently has been very active in the management. Mr. Peabody, president of the company, at the time of his election was counsel for the First National Bank, of which Mr. Baker was the head. Mr. Fisher A. Baker, of the law firm of which Mr. Peabody was a member, is an uncle of Mr. George F. Baker. Mr. Peabody had never before been a director or in any way connected with a life insurance company, and had no knowledge of the business. (Baker, R., 1471, 1472; Peabody, R., 1310, 1311.)

Its resources are $587,000,000. (Ex. 134–A.)

Summary of affiliations with financial corporations.—It thus appears that the First National Bank and the First Security Co. are one and the same association of persons; that for a number of years past, and until within a few weeks, they have had a clear majority of the stock of the Chase National Bank and still retain a large block and a controlling voice in the management through majority representation upon the board of directors; and that these three institutions have known resources of $335,000,000.

Affiliations with the anthracite coal-carrying railroads.—Through stock ownership by the First Security Co. and Mr. Baker and interlocking directors the First National Bank is affiliated with the following railroad systems transporting 80 per cent of the anthracite coal moving from the mines and owning or controlling 88 per cent of the entire deposits of anthracite in the State of Pennsylvania, as follows:

(1) Delaware, Lackawanna & Western Railroad: The First Security Co. and Mr. Baker individually are very large stockholders, and besides Mr. Baker, his son, George F. Baker, jr., Mr. Moore, and Mr. Fahenstock, of the bank's directorate, are directors of the railroad. (Baker, R., 1504–1510; Ex. 134–A.)

(2) Lehigh Valley Railroad: The First Security Co. is a large stockholder and Mr. Baker and Mr. Moore are directors. (Baker, R., 1504–1510; Ex. 134–A.)

(3) Central Railroad of New Jersey: Mr. Baker and his associates were the largest stockholders of this road for many years prior to 1901, when they transferred a majority interest to Reading Co. Mr. Baker is still a large stockholder and a director, and H. C. Fahnestock, of the bank's directorate, is also a director. (Baker, R., 1504–1510; Ex. 134–A.)

(4) Reading Co., Erie Railroad, New York, Susquehanna & Western Railroad (now controlled by the Erie), and New York, Ontario & Western Railway: Mr. Baker is a director in each. (Ex. 134–A.)

Affiliations with the Chicago, Rock Island & Pacific System.—Mr. Hine, president, and three other directors of the bank, are directors in this system, as is Daniel G. Reid, a stockholder of the bank. (Ex. 134–A.)

Affiliations with Southern Railway.—The first Security Co. and Mr. Baker are large stockholders and the latter is one of the three voting trustees, the others being Mr. Morgan and Mr. Lanier. George F. Baker, jr., and H. C. Fahnestock, of the bank's directorate, are directors of the railway. (Baker, R., 1523, 1524; Ex. 134–A.)

Affiliations with Chicago, Burlington & Quincy Railroad.—Mr. Baker and Mr. Hill of the bank's directorate are directors of this company, which has capital stock and funded debt of $292,000,000 and operates 9,000 miles of road. In conjunction with others, the bank has marketed its security issues. (Ex. 134–A; Ex. 213, R., 1895.)

Affiliations with Great Northern Railway.—The bank is its fiscal agent, in effect, and in 1911, in conjunction with Morgan & Co., marketed for it a bond issue of $20,000,000—the only one it has made. Mr. Baker and the First Security Co. are large stockholders. Mr. Hill, builder and head of the railway, is a director of the bank and owns 3,900 of its shares. The system comprises 7,000 miles of road and its capital stock and funded debt is $385,000,000. (Davidson, R., 1865; Baker, R., 1529, 1530, 1553; Ex. 212, R., 1894; Ex. 134–A.)

Affiliations with Northern Pacific Railway.—Mr. Baker and the First Security Co. are large stockholders, the former being also a director and member of the executive committee, while his son and A. C. James are likewise directors. (Baker, R., 1530; Ex., 134–A.)

Affiliations with other transportation systems.—With Mr. Morgan, Mr. Baker is a voting trustee of the Chicago Great Western Railway and a director of the New York Central Lines and the New York,

New Haven & Hartford; he is also a trustee of Adams Express Co. (Ex. 134–A.)

Affiliations with United States Steel Corporation.—Mr. Baker is a director and member of the finance committee of the corporation, and he, as also the bank, were among the underwriters of its bond and stock issues at the time of organization. The bank has also joined with Morgan & Co. in marketing for it subsequent security issues. Mr. Moore, of the bank's directorate is a director of the corporation, and was a large holder of the stocks of constituent companies acquired by it. (Baker, R., 1543–1545; Ex. 213, R., 1895.)

Affiliations with William Cramp Ship & Engine Building Co.—Mr. Baker is one of three voting trustees, a second being Mr. Stotesbury, of Morgan & Co. F. L. Hine is a director. (Ex. 214, R., 1897.)

Affiliations with J. I. Case Thrashing Machine Co.—Mr. Hine, president of the bank, is one of three voting trustees. (Ex. 214, R., 1897.)

Affiliations with International Harvester Co.—Mr. Baker was a director until recently. (Baker, R., 1555, 1556.)

Affiliations with Pullman Co.—Mr. Baker and Mr. Mitchell, of the bank's directorate, are directors. (Ex. 134–A.)

Affiliations with American Can Co.—Mr. Hine, president, Mr. Moore, a director, and Daniel G. Reid, a stockholder of the bank, are directors of this company, the last named being chairman of the board. Its capital stock and funded debt is $82,000,000. (Ex. 134–A.)

Affiliations with National Biscuit Co.—Mr. Hine and Mr. Moore are directors. The capital stock and funded debt of the company is $54,000,000, and its annual gross earnings around $45,000,000. (Ex. 134–A.)

Affiliations with United States Rubber Co.—Mr. Hine is a director. Its capital stock and funded debt is $117,000,000 and its annual gross earnings are around $55,000,000. (Ex. 134–A.)

Affiliations with other producing and trading corporations.—Of the bank's directorate, Mr. Hepburn is a director of the American Agricultural Chemical Co. and Mr. Norton is a director of the Baldwin Locomotive Works. (Ex. 134–A.)

Affiliations with American Telephone & Telegraph Co.—Mr. Baker and Mr. Mitchell of the bank's directorate are directors of this company. (Ex. 134–A.)

Affiliations with Western Union Telegraph Co.—Mr. Mitchell and Mr. Fahenstock of the bank's directorate are directors of this company. (Ex. 134–A.)

Affiliations with Consolidated Gas Co. of New York.—Mr. Baker is a director. (Ex. 134–A.)

SECTION 7.—NATIONAL CITY BANK OF NEW YORK.

Organization, capital, and management.—The directors are James Stillman, J. Ogden Armour, Francis M. Bacon, Cleveland H. Dodge, Henry C. Frick, Joseph P. Grace, Cyrus H. McCormick, Edwin S. Marston, Gerrish H. Milliken, J. P. Morgan, jr., Stephen S. Palmer, James H. Post, M. Taylor Pyne, William Rockefeller, James A. Stillman, Jacob H. Schiff, Samuel Sloan, William Douglas Sloane, John

W. Sterling, Henry A. C. Taylor, Moses Taylor, P. A. Valentine, Eric P. Swenson, Frank A. Vanderlip, Frank Trumbull, and R. S. Lovett.

Mr. James Stillman is chairman of the board of directors. Mr. Vanderlip is president and Samuel McRoberts, William A. Simonson, Joseph T. Talbert, James A. Stillman, and John E. Gardin are vice presidents. (Ex. 232, R., 2104.)

Among the principal stockholders are James Stillman, with 47,498 shares out of a total of 250,000; his son, James A. Stillman, with 2,500; J. P. Morgan & Co., with 15,000; Kidder, Peabody & Co., with 1,000; William Rockefeller, with 10,000; John D. Rockefeller, with 1,750; M. Taylor Pyne and Percy R. Pyne, each with 8,267; Robert Bacon, a former partner in Morgan & Co., 1,000; Jacob H. Schiff, with 500; William Woodward, president of the Hanover National Bank, with 1,710; and J. W. Sterling, with 6,087. (Ex. 201½, R., 1888; Ex. 232, R., 2105; Davison, R., 1879.)

Its capital stock is $25,000,000, having been increased from $1,000,000 to $10,000,000 in 1900 and to $25,000,000 in 1902. Its surplus and undivided profits are $28,181,981. (Ex. 232, R., 2104.)

James Stillman its ruling spirit.—Mr. Stillman, as owner of almost one-fifth of its capital stock and successively president and chairman of the board of directors, for many years has dominated the policy and management of the bank.

General character of business.—It does the ordinary business of a national bank; acts as an "issuing house" for corporate securities; and is the largest lender of money on the New York Stock Exchange. (Griesel, R., 746.)

On or about January 1, 1912, it had loans outstanding on stock-exchange collateral of approximately $96,000,000; July 1, 1912, $101,000,000; November 1, 1912, $84,000,000. (Ex. 133, R., 1208.) It has in round figures $33,000,000 in bonds; nothing in stocks. (Ex. 232, R., 2105.)

Resources, deposits, and profits.—It has resources of $274,000,000 and deposits of $214,000,000. (Ex. 134-A; Ex. 232, R., 2121.)

From 1903 to 1907, inclusive, it paid dividends on its increased capital of $25,000,000 at the rate of 8 per cent; and since 1907 at the rate of 12 per cent; and has accumulated a surplus and profits of $28,181,981, of which, however, $7,500,000 was paid in by stockholders. (Ex. 232, R., 2104.)

Affiliations with National City Co.—This is a stock-holding adjunct of the National City Bank, organized on the same plan as the First Security Co. Its capital stock is $10,000,000, to pay which a special dividend of 40 per cent was declared by the bank. (Ex. 232, R., 2108-2110.) Its total resources and profits are unknown.

Affiliations with Farmers' Loan & Trust Co.—Nine directors of the National City Bank, including the president, Mr. Vanderlip, and Mr. James A. Stillman, are directors of the Farmers' Loan & Trust Co., which has resources of $135,000,000 and deposits of $125,000,000. (Ex. 134-A, Interlocking Directorates.)

Affiliations with New York Trust Co.—Mr. Stillman and two other directors of the National City Bank are directors of the New York Trust Co., which has resources of $63,000,000 and deposits of $37,000,000. (Ex. 134-A.)

Affiliations with United States Trust Co.—James Stillman, William Rockefeller, and William D. Sloane, of the bank's directorate, are directors of the United States Trust Co., which has resources of $77,000,000 and deposits of $60,000,000. (Ex. 134–A.)

Affiliations with Riggs National Bank and American Security & Trust Co., of Washington, D. C.—Mr. Vanderlip is a director in these two institutions, which have resources of $15,000,000 and $14,000,000, respectively, and deposits of $9,000,000 each. (Ex. 134–A.)

Affiliations with National Bank of Commerce.—Mr. Vanderlip, president, and Mr. Simonson, a vice president, of the National City Bank, are directors of the National Bank of Commerce. (Ex. 134–A.)

Summary of affiliations with financial corporations.—It is thus seen that the National City Bank, together with its adjunct, the National City Co., has resources of $285,000,000, taking no account of the unknown assets of the latter; that three other institutions in the city of New York in which it has an influential voice have resources of $275,000,000; and that a bank and a trust company outside New York in which its president is a director have resources of $29,000,000; making total banking resources of about $600,000,000 within its sphere of influence.

Affiliations with Chesapeake & Ohio Railway Co.—Mr. Vanderlip, president of the bank, is a director of this railway, and Mr. Trumbull, president of the railway company is a director of the bank. Since 1910 the bank, in conjunction with others, has marketed for it 10 security issues aggregating $63,000,000. Its capital stock and funded debt is $285,000,000, and it controls 2,000 miles of road. (Ex. 232, R., 2104, 2111; Ex. 134–A.)

Affiliations with Chicago, Milwaukee & St. Paul Railway Co.—J. Ogden Armour and William Rockefeller, directors, and Samuel McRoberts, vice president, of the National City Bank, are directors of this railway, and since 1909 the bank, in conjunction with others, has marketed for it three issues of securities aggregating $87,000,000, and one issue of $25,000,000 for a subsidiary, the Chicago, Milwaukee & Puget Sound Railway Co. Its capital stock and funded debt is is $486,000,000, and it has 10,000 miles of road. (Ex. 232, R., 2104, 2111; Ex. 134–A.)

Affiliations with Chicago & North Western Railway.—James Stillman, H. C. Frick, and C. H. McCormick, of the bank's directorate, are directors of this railway, which has capital stock and funded debt of $334,000,000 and controls 8,000 miles of road. (Ex. 134–A.)

Affiliations with Delaware, Lackawanna & Western Railroad Co.—James Stillman, William Rockefeller, M. Taylor Pyne, H. A. C. Taylor, and S. S. Palmer, of the bank's directorate, are directors of this railroad. (Ex. 134–A.)

Affiliations with Southern Pacific Co.—Messrs. Vanderlip and William Rockefeller were directors of this company until the Supreme Court recently decreed its separation from the Union Pacific and Mr. Lovett, until then its chief executive officer, is a director of the bank. In 1909, the bank, in conjunction with others, marketed for it two security issues, aggregating $10,000,000, and one of $44,500,000 for its subsidiary, the Southern Pacific Railroad Co. The company has a capital stock and funded debt of $894,000,000 and controls 10,000 miles of railroad. (Ex. 232, R., 2104, 2111; Ex. 134–A.)

Affiliations with the greater transportation, producing and trading and public utility corporations.—The firm has a representative in the directorates of the Louisville & Nashville Railroad, American Agricultural Chemical Co., American Writing Paper Co., General Electric Co., United Fruit Co., United States Smelting, Refining & Mining Co., United States Steel Corporation, American Telephone & Telegraph Co., Interborough Rapid Transit Co., of New York, and Massachusetts electric companies. (Ex. 134–A.)

And in conjunction with other bankers it has purchased or underwritten the security issues of these and also of other of the greater corporations, as follows: American Smelters Security Co., American Woolen Co., Armour & Co., Atchison, Topeka & Santa Fe Railway, Baldwin Locomotive Works, Baltimore & Ohio Railroad, Chesapeake & Ohio Railway, Chicago, Burlington & Quincy Railroad, Chicago Great Western Railway, Chicago, Indiana & Southern Railway, Chicago, Milwaukee & Puget Sound Railway, Chicago & Northwestern Railway, Cudahy Packing Co., Erie Railroad Co., General Electric Co., Great Northern Railway, Hocking Valley Railway, International Harvester Co., Jones & Laughlin Steel Co., Kansas City Terminal Railway, Missouri Pacific Railway, New York Central Lines, New York, New Haven & Hartford Railroad and subsidiaries, including the Boston & Maine and the Maine Central, Norfolk & Western Railway, Oregon-Washington Railroad & Navigation Co., Pennsylvania Railroad, St. Louis & San Francisco Railroad, Southern Pacific Co., Southern Railway Co., Terminal Railway Association of St. Louis, United States Steel Corporation's subsidiaries, Virginian Railway, Wabash Railroad, and Western Electric Co. (Ex. 216, R., 1925.)

SECTION 9.—KIDDER, PEABODY & CO.

Organization.—This is a firm of Boston and New York, which had its beginning in 1845, and now consists of Robert Winsor, William G. Webster, Frank E. Peabody, William Endicott, jr., and Frank W. Remick, of Boston, and Charles S. Sargent, jr., and William L. Benedict, of New York. (Winsor, R., 1995.)

General character of business.—It does an international banking business, especially in the purchasing, underwriting, and marketing of security issues of corporations. Baring Bros. & Co. are its London correspondents. (Winsor, R., 1995.)

Security issues purchased or underwritten.—Since 1907 the firm has purchased or underwritten, principally in conjunction with other bankers, upward of 100 issues of the greater interstate corporations aggregating in excess of $1,100,000,000. (Ex. 229, R., 2072–2085.)

Affiliations with National Shawmut Bank of Boston.—Of its capital stock of $10,000,000 the firm owns $579,200, par value, and Mr. Winsor and Mr. Webster are directors. (Winsor, R., 1995, 1996; Ex. 228, R., 2054.)

Affiliations with Old Colony Trust Co., of Boston.—The firm owns $358,700, par value, of its capital stock, and Mr. Endicott is a director. The resources, deposits, and surplus of this company and of the National Shawmut Bank are as stated just above. (Winsor, R., 1995, 1996; Ex. 228, R., 2054.)

Affiliations with other banks and trust companies.—The firm is a small stockholder in the National Bank of Commerce, of Boston, of

which Mr. Endicott is vice president and a director; it owns $261,200, par value, of the capital stock of the Worcester Trust Co. and has two representatives in the directorate; it is a small stockholder of the Union Trust Co., of Springfield, and has two representatives in the directorate; and Mr. Endicott is a director of the New England and Bay State Trust Cos. of Boston. (Winsor, R., 1995-1998; Ex. 228, R., 2054, 2086.)

It should be observed that Kidder, Peabody & Co. and Lee, Higginson & Co., if not the dominant factors, are the most potent single force in the control of the three institutions which hold at least more than half of the banking resources of Boston—the National Shawmut Bank, the First National Bank, and the Old Colony Trust Co. Together they own $679,200, par value, of the capital stock of the first named and $619,300 of that of the last, and have three and two representatives, respectively, in their directorates; while Lee, Higginson & Co. alone own $273,800 of the capital stock of the second and has two representatives in its directorate.

Affiliations with the greater transportation, producing and trading, and public utility corporations.—The firm has one representative in the directorate of the Boston & Albany Railroad, two in that of the Fore River Shipbuilding Co., three in that of the Hartford Carpet Corporation, one in that of the United States Steel Corporation, one in that of the Boston Consolidated Gas Co., two in that of the Boston Elevated Railway, and one each in the directorates of the American Telephone & Telegraph Co. and the Western Union Telegraph Co. (Ex. 134-A.)

And it has joined with other bankers in purchasing or underwriting the security issues of most of these and also of other of the greater corporations, as follows: Amalgamated Copper Co.; American Cotton Oil Co.; American Smelters Security Co.; American Woolen Co.; Armour & Co.; Atchison, Topeka & Santa Fe Railway; Baldwin Locomotive Works; Central Pacific Co.; Chesapeake & Ohio Railway; Chicago, Burlington & Quincy Railroad; Chicago Great Western Railway; Chicago, Milwaukee & St. Paul Railway, and its subsidiary, Chicago, Milwaukee & Puget Sound Railway; Chicago & Northwestern Railway; Chicago, Rock Island & Pacific Railway; Cincinnati, Hamilton & Dayton Railroad; Delaware & Hudson Co.; Erie Railroad; Keystone Coal & Coke Co.; Missouri Pacific Railway; New York Central lines; New York, New Haven & Hartford Railroad and subsidiaries, including the Boston & Maine and the Maine Central; Oregon-Washington Railroad & Navigation Co.; Pennsylvania Railroad; Reading Co.; St. Louis & San Francisco Railroad; Southern Pacific Co.; Southern Railway; United Dry Goods Co.; United Fruit Co.; United States Smelting, Refining & Mining Co.; United States Steel Corporation's subsidiaries; Western Electric Co.; and Westinghouse Electric & Manufacturing Co. (Ex. 229, R., 2073-2085.)

SECTION 10.—KUHN, LOEB & CO.

Organization.—This is a firm consisting of Jacob H. Schiff, senior partner; his son, Mortimer L. Schiff; Otto H. Kahn, Paul M. Warburg, Felix M. Warburg, and Jerome H. Hanauer. (Schiff, R., 1661.)

General character of business.—It does an international banking business, including especially the issuance of securities. It does not seek general deposits and is not engaged in the general business of accepting deposits against draft, though it receives special deposits at times, and the purchase price of securities issued by it is occasionally left with it temporarily. (Schiff, R., 1661; Ex. 200, R. 1695.)

Resources, deposits, and profits.—Its resources and profits have not been disclosed. In the last six years it has held for interstate corporations deposits averaging $17,347,500. (Ex. 200, R., 1695.)

Security issues marketed.—From 1907 to 1912, inclusive, the firm purchased alone security issues of corporations amounting to $530,862,000, and in conjunction with other bankers issues amounting to $704,777,708. From 1897 to 1906, inclusive, it purchased with other bankers issues amounting to $821,289,000. (Ex. 200, R., 1756–1763.)

Affiliations with Fourth National Bank of New York.—Of its capital stock of $5,000,000, the firm owns $325,400, par value, all acquired since 1905; and Mortimer L. Schiff is a director. Its resources are $51,000,000; deposits, $29,000,000.

Affiliations with Equitable Trust Co., of New York.—Of its capital stock of $3,000,000, the firm owns $466,000, par value, mostly acquired since 1905; and Mr. Kahn is a director. Its resources are $102,000,000; deposits, $84,000,000. (Ex. 200, R., 1696 1765.)

Affiliations with National Bank of Commerce of New York.—Of its capital stock of $25,000,000, the firm owns $470,000, par value, $300,000 of which was acquired since 1905; and Paul M. Warburg is a director and member of the finance committee. (Ex. 200, R., 1696, 1765.)

Affiliations with United States Mortgage & Trust Co., of New York.—The firm owns $394,000, par value, of its stock; and P. L. Warburg and M. L. Schiff are directors. (Ex. 200, R., 1696, 1765.)

Affiliations with other financial corporations.—The firm is a substantial stockholder in the National Park Bank, the Bank of the Manhattan Co., the Merchants National Bank, the Union Exchange National Bank, all of New York, and the First National Bank of Chicago; and is a small stockholder in the Title Guarantee & Trust Co., of New York, of which also Paul M. Warburg is a director. The firm is a small stockholder in various other banks and trust companies. (Ex. 200, R., 1696 1765.)

Affiliations with Baltimore & Ohio Railroad.—With Speyer & Co., the firm managed the reorganization of this railroad and its subsidiary, the Baltimore & Ohio Southwestern, and from 1897 to 1911 marketed for it 21 security issues aggregating $345,000,000. In 1912 the firm alone marketed for it an issue of $5,000,000. Paul M. Warburg is a director. Its capital stock and funded debt is $547,000,000 and it controls 4,000 miles of railroad. (Ex. 200, R., 1712, 1758–1763; Ex. 134–A.)

Affiliations with Union Pacific Railroad.—The firm served as bankers in conducting the reorganization of this railroad, and has remained such, purchasing alone from it between 1907 and 1911 four security issues, aggregating $103,000,000, and, in conjunction with other bankers, one issue of $7,500,000 and another of $40,000,000 from a subsidiary, the Oregon-Washington Railroad & Navigation Co., and in 1897 one of $5,390,000 from another subsidiary, the Oregon Railway & Navigation Co. Otto H. Kahn and Mortimer L. Schiff are directors.

Jacob H. Schiff is a director in one of its principal subsidiaries, the Oregon-Washington Railroad & Navigation Co. It has a capital stock and funded debt of $660,000,000 and controls 7,000 miles of road. (Ex. 200, R., 1699, 1758–1763, 1765; Ex. 134–A.)

Affiliations with Southern Pacific Co.—The firm has also been banker for this system, and between 1907 and 1911 purchased alone from it and its subsidiaries, the Southern Pacific Railroad and the Central Pacific Railway, 8 security issues, aggregating $124,000,000, and between 1903 and 1911, with associates, purchased 19 further issues, aggregating $210,000,000. Mr. Kahn and Mortimer L. Schiff were directors until the very recent decree of the Supreme Court ordering the company to be separated from the Union Pacific. It has a capital stock and funded debt of $894,000,000 and controls 10,000 miles of road. (Ex. 200, R., 1758–1763, 1765; Ex. 134–A.)

Affiliations with the Chicago & North Western Railway.—From 1909 to 1912 the firm purchased alone from this company six security issues, aggregating $53,750,000, and one issue of $5,000,000 from its subsidiary, the Chicago, St. Paul, Minneapolis & Omaha Railway. (Ex. 200, R., 1758–1763.)

Affiliations with Chicago & Alton Railroad.—From 1907 to 1912 the firm purchased alone from this company two security issues aggregating $14,000,000. and in conjunction with others one issue of $4,500,000. (Ex. 200, R., 1758–1763.)

Affiliations with Chicago & Eastern Illinois Railroad.—In 1912 the firm purchased alone seven security issues of this company aggregating $11,000,000. (Ex. 200, R., 1758.)

Affiliations with Illinois Central Railroad.—From 1908 to 1912 the firm purchased alone from this company four security issues aggregating $47,740,000, and from 1897 to 1904, in conjunction with other bankers, three issues, aggregating $45,000,000. (Ex. 200, R., 1758–1763.)

Affiliations with Pennsylvania Railroad.—From 1907 to 1912 the firm purchased alone from this company four security issues aggregating $75,000,000, and, in conjunction with other bankers one issue of $40,000,000 and three issues of a subsidiary, the Pittsburgh, Cincinnati, Chicago & St. Louis Railway, aggregating $13,000,000. In 1905, associated with J. P. Morgan & Co., it purchased an issue of $100,000,000. and from 1899 to 1905, in association with Speyer & Co., nine issues, aggregating $128,000,000. (Ex. 200, R., 1758–1763.)

Affiliations with Wabash Railroad.—In 1912 the firm purchased alone three issues of this company aggregating $14,000,000; in 1910 one issue of $5,000,000 in conjunction with other bankers; and in 1908, also in conjunction with other bankers, two issues of a subsidiary, the Wheeling & Lake Erie Railroad, aggregating $12,000,000. (Ex. 200, R., 1758–1763.)

Affiliations with other railroad systems.—The firm has purchased from other railroad systems security issues as follows:

Atchison, Topeka & Santa Fe Railway, from 1897 to 1899, three issues aggregating $15,000,000, in conjunction with other bankers.

Chesapeake & Ohio Railway, since 1907, 16 issues aggregating $85,000,000, in conjunction with other bankers.

Chicago, Milwaukee & St. Paul Railway, since 1909, in conjunction with other bankers, three issues, aggregating $88,000,000, and one

issue of $25,000,000 of a subsidiary, the Chicago, Milwaukee & Puget Sound Railway, in conjunction with other bankers.

Delaware & Hudson Co., since 1907, six issues aggregating $45,000,000, in conjunction with other bankers, and one of $2,000,000 alone.

Denver & Rio Grande Railroad, in 1898 and 1899, two issues aggregating $6,500,000, in conjunction with other bankers.

Hocking Valley Railway, since 1910, two issues, aggregating $5,584,000.

Missouri Pacific Railway, in 1909, one issue of $29,806,000 alone, and in 1897 one issue of $10,000,000 of a subsidiary, the St. Louis, Iron Mountain & Southern Railway, in conjunction with other bankers.

New York, New Haven & Hartford Railroad, in 1907, one issue (a foreign loan) of $28,000,000 and one issue of $1,948,000 of a subsidiary, the New York, Ontario & Western Railway, both alone.

St. Louis Southwestern Railway, in 1909, one issue of $1,000,000 alone. (Ex. 200, R. 1758–1763.)

Paul M. Warburg, of the firm, is a director of the Wells-Fargo Express Co. (Ex. 200, R., 1765.)

Affiliations with Westinghouse Electric & Manufacturing Co.—Paul M. Warburg is a director, and in 1907 and 1910 the firm purchased alone from the company two note issues of $6,000,000 and $4,000,000. (Ex. 200, R. 1758–1763, 1765.)

Affiliations with other producing and trading corporations.—In conjunction with other bankers, the firm purchased, in 1909, an issue of $30,000,000 of Armour & Co.; in 1910 an issue of $10,000 of the Baldwin Locomotive Works; in 1910 an issue of $9,000,000 of the Consolidation Coal Co.; in 1899 two stock issues of the American Beet Sugar Co., aggregating $6,400,000. (Ex. 200, R., 1758–1763.)

Affiliations with American Telephone & Telegraph Co.—In conjunction with other bankers, the firm has purchased from this company since 1906 three issues aggregating $150,000,000. (Ex. 200, R., 1758–1763.)

Affiliations with Western Union Telegraph Co.—Mr. Schiff, of the firm, is a director.

Affiliations with Kansas City Railway & Light Co.—In conjunction with other bankers the firm purchased from this company in 1903 and 1904 four issues aggregating $16,500,000. (Ex. 200, R., 1763.)

SEC. 11.—INTERRELATIONS OF MEMBERS OF THE GROUP.

Morgan & Co. and First National Bank.—Mr. Morgan, head of the firm of Morgan & Co., of New York, and Drexel & Co., of Philadelphia, and Mr. Baker, head officer and dominant power in the First National Bank since shortly after its organization, have been close friends and business associates from almost the time they began business. Mr. Morgan, testifying as to their relations, said (p. 1034):

Q. You and Mr. Baker have been old and close friends and associates for many years, have you not?

A. For a great many years; yes.

Q. Almost since you began business?

A. Well, since 1873, at least.

Q. During that time your house has been of great aid to the First National Bank in building up their great prosperity and they have been of great aid to you?
A. I hope so.
Q. That is the fact, is it not?
A. That is the fact, I think.
Q. During that period you have made many purchases of securities jointly and many joint issues of securities, have you not?
A. Yes, sir.

Before becoming partners in Morgan & Co., Mr. Davison and Mr. Lamont, two of the most active members of the firm, were vice presidents of the First National Bank, and still remain directors.

Next to Mr. Baker, Morgan & Co. is the largest stockholder of the First National, owning 14,500 shares, making the combined holdings of Mr. Baker, and his son and Morgan & Co. about 40,000 shares out of 100,000 outstanding—a joint investment, based on the market value, of $41,000,000 in this one institution.

Three of the Morgan partners—Mr. Morgan himself, Mr. Davison, and Mr. Lamont—are directors of the First National, and Mr. Morgan is a member of the executive committee of four, which has not, however, been active and has rarely met.

The First National has been associated with Morgan & Co. in the control of the Bankers Trust Co. As before stated, when the company was organized, its entire capital stock was vested in George W. Perkins, H. P. Davison, and Daniel G. Reid as voting trustees. Mr. Perkins was then a Morgan partner and Mr. Davison and Mr. Reid were, respectively, vice president and a large stockholder of the First National. Mr. Davison, who has since become a Morgan partner, and Mr. Reid have continued as such trustees. Mr. Perkins has been succeeded by the attorney of the company, who is also Mr. Davison's personal counsel. Mr. Davison and Mr. Lamont of the Morgan firm, and Mr. Hine, president, Mr. Norton, vice president, and Mr. Hepburn, member of the executive committee of the First National, are codirectors of the Bankers Trust Co., Mr. Hine being also a member of its executive committee.

The First National likewise has been associated with Morgan & Co. in the control of the Guaranty Trust Co., Mr. Baker of the former being joined with Mr. Davison and Mr. Porter of the latter as voting trustees.

In the Astor Trust Co., controlled by Morgan & Co. through the Bankers Trust Co., Mr. Baker and Mr. Hine, chief officers of the First National, are directors.

In the Liberty National Bank, controlled by Morgan & Co. through the Bankers Trust Co., Mr. Hine is also a director.

Since its organization in 1894 Mr. Morgan and Mr. Baker have been associated as voting trustees in the control of the Southern Railway, of which, also, Morgan & Co. and the First Security Co. are stockholders, and Mr. Steele of the former and George F. Baker, jr., and H. C. Fahenstock of the First National are directors.

Mr. Morgan and Mr. Baker are also associated as voting trustees in the control of the Chicago Great Western Railway.

Mr. Morgan and Mr. Baker are further associated as directors and members of the executive committee of the New York Central Lines and as directors of the New York, New Haven & Hartford Railroad and the Pullman Co.

At Mr. Morgan's request Mr. Baker became and has remained a director and member of the finance committee of the United States Steel Corporation, which, as previously shown, was organized and always has been dominated by the former. At the request of Mr. Perkins, who, as a partner in Morgan & Co., was active in organizing the International Harvester Co., Mr. Baker became a director of that company, resigning only recently.

Mr. Stotesbury, of Morgan & Co., and Mr. Baker are associated as voting trustees in the control of the William Cramp Ship & Engine Building Co.

In 1901 Mr. Baker and associates, cooperating with Mr. Morgan, transferred to Reading Co. a majority of the stock of the Central Railroad of New Jersey, thereby bringing under one control railroad systems transporting 33⅓ per cent of the anthracite coal moving from the mines and coal companies owning or controlling 63 per cent of the entire anthracite deposits. (Baker, R., 1504, 1506, 1508.)

In the same year Mr. Baker cooperated with Mr. Morgan in transferring to the Northern Securities Co. controlling stock interests in the Northern Pacific and Great Northern Railways, competitive transcontinental systems.

One or more members of Morgan & Co. and one or more officers or directors of the First National are associated as codirectors in the following additional corporations, among others:

The Mutual Life Insurance Co. of New York;

The anthracite railroads, including the Reading, the Central of New Jersey, the Lehigh Valley, the Erie, the New York, Susquehanna & Western, and the New York, Ontario & Western;

The Northern Pacific Railway, in which also Mr. Steele, of Morgan & Co., and Mr. Baker, of the First National, are members of the executive committee;

Adams Express Co.;

American Telegraph & Telephone Co.; and

The Baldwin Locomotive Works.

But nothing demonstrates quite so clearly the close and continuing cooperation between Morgan & Co. and the First National Bank as their joint purchases and underwritings of corporate securities. Since 1903 they have purchased for their joint account, generally with other associates, 70 odd security issues of 30 different corporations, aggregating approximately $1,080,000,000. (Ex. 213, R., 1895; Ex. 235, R., 2127.) A complete statement of such joint transactions in securities will be found in a subsequent part of this report.

It is thus seen that through stockholdings, interlocking directors, partnership transactions, and other relations, Morgan & Co. and the First National Bank are locked together in a complete and enduring community of interest. Their relations in this regard are, indeed, a commonplace in the financial world. Thus, Mr. Schiff being asked whether he knew "the close relations between Messrs. Morgan and the First National Bank," replied "I do." (R., 1687.)

Morgan & Co., First National Bank, and National City Bank.—Mr. Stillman, as president, chairman of the board of directors and largest stockholder, for a long time has held a position of dominance in the National City Bank corresponding to Mr. Morgan's in his firm and Mr. Baker's in the First National Bank.

For many years while Morgan & Co. and the First National Bank were in close business union the National City Bank apparently occupied a position of independence. More recently, however, it has been drawn into the community of interest long existing between the two first named, as is evidenced by a series of important transactions.

First. Within three or four years Morgan & Co. acquired $1,500,000 par value of the capital stock of the National City Bank, representing an investment at the stock's present market price of $6,000,000, and J. P. Morgan, jr., became a director. (Morgan, R., 1036, 1075, 1076; Davison, R., 1879; Ex. 134-A.)

Second. In 1910 Mr. Morgan, in conjunction with both Mr. Baker, his long-time associate, and Mr. Stillman, head of the National City Bank, purchased from Mr. Ryan and the Harriman estate $51,000, par value, of the stock of the Equitable Life Assurance Society, paying therefor what Mr. Ryan originally paid with interest at 5 per cent—about $3,000,000—the investment yielding less than one-eighth of 1 per cent. Mr. Stillman and Mr. Baker each agreed to take a one-fourth interest in the purchase if requested to do so by Mr. Morgan. No such request has yet been made by him.

No sufficient reason has been given for this transaction, nor does any suggest itself, unless it was the desire of these gentlemen to control the investment of the $504,000,000 of assets of this company, or the disposition of the bank and trust company stocks which it held and was compelled by law to sell within a stated time. Mr. Morgan was interrogated as follows on this subject (R., 1068, 1069, 1071):

Q. You may explain, if you care to, Mr. Morgan, why you bought from Messrs. Ryan and Harriman $51,000 par value of stock that paid only $3,710 a year, for approximately $3,000,000, that could yield you only one-eighth or one-ninth of 1 per cent.

A. Because I thought it was a desirable thing for the situation to do that.

Q. That is very general, Mr. Morgan, when you speak of the situation. Was not that stock safe enough in Mr. Ryan's hands?

A. I suppose it was. I thought it was greatly improved by being in the hands of myself and these two gentlemen, provided I asked them to do so.

Q. How would that improve the situation over the situation that existed when Mr. Ryan and Mr. Harriman held the stock?

A. Mr. Ryan did not have it alone.

Q. Yes; but do you not know that Mr. Ryan originally bought it alone and Mr. Harriman insisted on having him give him half?

A. I thought if he could pay for it that price I could. I thought that was a fair price.

Q. You thought it was good business, did you?

A. Yes.

Q. You thought it was good business to buy a stock that paid only one-ninth or one-tenth of 1 per cent a year?

A. I thought so.

Q. The normal rate of interest that you can earn on money is about 5 per cent, is it not?

A. Not always; no.

Q. I say, ordinarily.

A. I am not talking about it as a question of money.

Q. The normal rate of interest would be from 4 to 5 per cent, ordinarily, would it not?

A. Well?

Q. Where is the good business, then, in buying a security that only pays one-ninth of 1 per cent?

A. Because I thought it was better there than it was where it was. That is all.

Q. Was anything the matter with it in the hands of Mr. Ryan?

A. Nothing.

Q. In what respect would it be better where it is than with him?
A. That is the way it struck me.
Q. Is that all you have to say about it?
A. That is all I have to say about it.
Q. You care to make no other explanation about it?
A. No.

* * * * * * *

Q. I do not understand why you bought this company.
A. For the very reason that I thought it was the thing to do, as I said.
Q. But that does not explain anything.
A. That is the only reason I can give.
Q. It was the thing to do for whom?
A. That is the only reason I can give. That is the only reason I have, in other words. I am not trying to keep anything back, you understand.
Q. I understand. In other words, you have no reason at all?
A. That is the way you look at it. I think it is a very good reason.

Mr. Baker was asked the following questions (R., 1466, 1467, 1469, 1470, 1535):

Q. Coming, now, to this transaction of the Equitable Life. You remember when Mr. Morgan acquired the control from Messrs. Ryan and Harriman, do you not?
A. Yes, sir.
Q. When was it?
A. I could not tell you that date.
Q. It was in 1910, was it not?
A. If that is what you have in your record there, that is correct, I suppose.
Q. I think that is correct. Is that your recollection?
A. No; it is not my recollection; but it is on the record there.
Q. What is your recollection?
A. I know it was two or three years ago. That is all.
Q. At the time Mr. Morgan acquired the interest in the Equitable, did he consult with you?
A. Yes, sir.
Q. And with Mr. Stillman?
A. Yes.

* * * * * * *

Q. * * * I want to ask you further concerning this Equitable Life transaction. Do I correctly understand that at the time Mr. Morgan made the purchase you and Mr. Stillman committed yourselves to take part of it?
A. That was done so informally——
Q. (interrupting). Did you?
A. Yes; I will say we did.
Q. You were consulted before it was done, and you agreed to take a part of it?
A. Yes.
Q. Then, following that, about a year later, you were asked to write this letter, were you not, confirming that arrangement?
A. Yes. Mr. J. P. Morgan, jr., wrote me a letter and I put my initials at the bottom, saying it was so, or something of that kind.

* * * * * * *

Q. Referring back, now, to the talk you say you had with Mr. Morgan and Mr. Stillman about the purchase of the Equitable stock; before it was purchased, what reason did Mr. Morgan give for wanting to take that stock from Mr. Ryan?
A. I can not remember that he gave any special reason, except that he thought it would be a good thing to be in his hands.
Q. When he said he thought it would be a good thing to be in his hands, rather than in the hands of Mr. Ryan, what did you understand that to mean?
A. I did not understand that to mean much of anything. I did not take much interest in it.

Third, about a year later Mr. Stillman and Mr. Baker, pursuant to an understanding between them and J. P. Morgan & Co., purchased approximately one-half of the holdings of the Mutual and Equitable Life insurance companies in the stock of the National Bank

of Commerce, amounting altogether to some 42,200 shares. Mr. Baker being a member of the finance committee of the Mutual, it was arranged that he should purchase the Equitable's stock—about 15,250 shares—and Mr. Stillman the Mutual's. Pursuant to the understanding, Mr. Stillman turned over 10,000 shares to Morgan & Co., who already owned 7,000 shares. Mr. Baker kept 5,000 shares, turned over 5,000 to the First Security Co., and distributed the rest among various persons; 3,000 shares were allotted by Mr. Stillman and Mr. Baker to Kuhn, Loeb & Co.

Mr. Baker testified as follows regarding this transaction (R., 1463, 1464):

Q. Was the purchase of that stock the result of an understanding between you and him and others?

A. Yes, sir.

Q. Who were the others?

A. Some of the people at Mr. Morgan's.

Q. Who?

A. I can not remember whether it was Mr. Morgan himself, or Jack—I mean Mr. J. P. Morgan, jr.—or some others; I do not remember.

Q. Then the purchase altogether amounted to about 42,200 shares, did it not, from the two companies?

A. Yes.

Q. What arrangement was there as to the distribution of that stock: how it should be distributed between Messrs. Morgan and Stillman and yourself?

A. I can not remember that there was any in particular. I disposed of mine as I have told you, and that is as near as I can remember. I can account for the bulk of it.

Q. Was there or was there not talk about the distribution of that 42,200 shares?

A. There may have been, but I do not remember.

Q. You do not remember whether there was or not?

A. No, sir.

Q. And you can not tell what Messrs. Morgan & Co. agreed to take before the stock was bought?

A. I do not know whether they agreed to take any. I think Mr. Morgan took 10,000 shares, probably, from Mr. Stillman.

Q. Before you bought the stock between you, these three interests, was there not some understanding, and if so, what was it, as to the way it should be divided up?

A. Possibly there was, but I do not remember clearly enough to answer the question intelligently to you. I am willing to admit, if it is of any interest to the committee, that there was an understanding and that we were to take it for joint account.

Q. The committee would rather not have any admissions that do not agree with your recollection, if you have no recollection of it at all.

A. I have not a definite enough recollection to state under oath.

Q. Is it your impression that there was an understanding that it was purchased for joint account?

A. Yes.

Q. Between those three interests?

A. Yes; that it would be divided. I do not think they were for joint account.

The National City Bank, the First National, and Morgan & Co. now have two representatives each on the board of directors of the National Bank of Commerce—Mr. Vanderlip, president, and Mr. Simonson, vice president, of the first named; Mr. Baker, chairman of the board, and Mr. Hine, president of the second; and H. P. Davison and J. P. Morgan, jr., of the last; whilst six of its finance committee of nine (it has no executive committee) consist of Mr. Vanderlip and Mr. Simonson of the National City Bank Mr. Hine of the First National, Mr. Wiggin, president of the Chase National, which, as appeared above, has for some years been controlled by the First National, and Mr. Davison and Mr. J. P. Morgan, jr., of J. P. Morgan & Co.

Fourth, during the same period in which occurred the three transactions just described—that is, within the last four years—the National City Bank, the First National, and Morgan & Co. (excluding issues in which there were other parties to the joint account) have purchased or underwritten in joint account 36 security issues (including the impending issue of the Interborough Rapid Transit Co.) amounting to $484,456,000 and they, with other associates, 31 additional issues amounting to $548,027,000, making in all 67 issues aggregating over $1,000,000,000 in which the First National, the National City Bank, and Morgan & Co. were joint purchasers or underwriters. Further, in the same period, the National City Bank and Morgan & Co. and other associates, not including the First National, have purchased or underwritten in joint account 20 security issues aggregating $333,385,000. On the other hand, in the 10 years prior to 1908 the National City Bank joined with Morgan & Co. in but one purchase or underwriting of securities and with the First National in not one.

The acquisition by Morgan & Co. of a large block of stock of the National City Bank, with representation upon its board of directors, and the transactions that followed, in which those two institutions and the First National Bank were joined, as above set forth, show a unison of interest and a continuity of cooperation between the three, such as for many years previously had existed between two of them—Morgan & Co. and the First National.

Combined power of Morgan & Co., the First National, and National City Banks.—In earlier pages of the report the power of these three great banks was separately set forth. It is now appropriate to consider their combined power as one group.

First, as regards banking resources:

The resources of Morgan & Co. are unknown; its deposits are $163,000,000. The resources of the First National Bank are $150,000,000 and those of its appendage, the First Security Co., at a very low estimate, $35,000,000. The resources of the National City Bank are $274,000,000; those of its appendage, the National City Co., are unknown, though the capital of the latter is alone $10,000,000. Thus, leaving out of account the very considerable part which is unknown, the institutions composing this group have resources of upward of $632,000,000, aside from the vast individual resources of Messrs. Morgan, Baker, and Stillman.

Further, as heretofore shown, the members of this group, through stock holdings, voting trusts, interlocking directorates, and other relations, have become in some cases the absolutely dominant factor, in others the most important single factor, in the control of the following banks and trust companies in the city of New York:

(a) Bankers Trust Co., resources	$205,000,000
(b) Guaranty Trust Co., resources	232,000,000
(c) Astor Trust Co., resources	27,000,000
(d) National Bank of Commerce, resources	190,000,000
(e) Liberty National Bank, resources	29,000,000
(f) Chase National Bank, resources	150,000,000
(g) Farmers Loan & Trust Co., resources	135,000,000
in all, 7, with total resources of	968,000,000

which, added to the known resources of members of the group themselves, makes	$1,600,000,000
as the aggregate of known banking resources in the city of New York under their control or influence.	
If there be added also the resources of the Equitable Life Assurance Society controlled through stock ownership of J. P. Morgan	504,000,000
the amount becomes	2,104,000,000

Second, as regards the greater transporation systems.

(*a*) Adams Express Co.: Members of the group have two representatives in the directorate of this company.

(*b*) Anthracite coal carriers: With the exception of the Pennsylvania and the Delaware & Hudson, the Reading, the Central of New Jersey (a majority of whose stock is owned by the Reading), the Lehigh Valley, the Delaware, Lackawanna & Western, the Erie (controlling the New York, Susquehanna & Western), and the New York, Ontario & Western, afford the only transportation outlets from the anthracite coal fields. As before stated, they transport 80 per cent of the output moving from the mines and own or control 88 per cent of the entire deposits. The Reading, as now organized, is the creation of a member of this banking group—Morgan & Co. One or more members of the group are stockholders in that system and have two representatives in its directorate; are stockholders of the Central of New Jersey and have four representatives in its directorate; are stockholders of the Lehigh Valley and have four representatives in its directorate; are stockholders of the Delaware, Lackawanna & Western and have nine representatives in its directorate; are stockholders of the Erie and have four representatives in its directorate; have two representatives in the directorate of the New York, Ontario & Western; and have purchased or marketed practically all security issues made by these railroads in recent years.

(*c*) Atchison, Topeka & Santa Fe Railway: One or more members of the group are stockholders and have two representatives in the directorate of the company; and since 1907 have purchased or procured the marketing of its security issues to the amount of $107,244,000.

(*d*) Chesapeake & Ohio Railway: Members of the group have two director in common with this company, and since 1907, in association with others, have purchased or procured the marketing of its security issues to the amount of $85,000,000.

(*e*) Chicago Great Western Railway: Members of the group absolutely control this system through a voting trust.

(*f*) Chicago, Milwaukee & St. Paul Railway: Members of the group have three directors or officers in common with this company, and since 1909, in association with others, have purchased or procured the marketing of its security issues to the amount of $112,000,000.

(*g*) Chicago & Northwestern Railway: Members of the group have three directors in common with this company, and since 1909, in association with others, have purchased or procured the marketing of its security issues to the amount of $31,250,000.

(*h*) Chicago, Rock Island & Pacific Railway: Members of the group have four directors in common with this company.

(*i*) Great Northern Railway: One or more members of the group are stockholders of and have marketed the only issue of bonds made by this company.

(*j*) International Mercantile Marine Co.: A member of the group organized this company, is a stockholder, dominates it through a voting trust, and markets its securities.

(*k*) New York Central Lines: One or more members of the group are stockholders and have four representatives in the directorate of the company, and since 1907 have purchased from or marketed for it and its principal subsidiaries security issues to the extent of $343,-000,000, one member of the group being the company's sole fiscal agent.

(*l*) New York, New Haven & Hartford Railroad: One or more members of the group are stockholders and have three representatives in the directorate of the company, and since 1907 have purchased from or marketed for it and its principal subsidiaries security issues in excess of $150,000,000, one member of the group being the company's sole fiscal agent.

(*m*) Northern Pacific Railway: One member of the group organized this company and is its fiscal agent, and one or more members are stockholders and have six representatives in its directorate and three in its executive committee.

(*n*) Southern Railway: Through a voting trust, members of the group have absolutely controlled this company since its reorganization in 1894.

(*o*) Southern Pacific Co.: Until its separation from the Union Pacific, lately ordered by the Supreme Court of the United States, members of the group had three directors in common with this company.

(*p*) Union Pacific Railroad: Members of the group have three directors in common with this company.

Third, as regards the greater producing and trading corporations.

(*a*) Amalgamated Copper Co.: One member of the group took part in the organization of the company, still has one leading director in common with it, and markets its securities.

(*b*) American Can Co.: Members of the group have two directors in common with this company.

(*c*) J. I. Case Threshing Machine Co.: The president of one member of the group is a voting trustee of this company and the group also has one representative in its directorate and markets its securities.

(*d*) William Cramp Ship & Engine Building Co.: Members of the group absolutely control this company through a voting trust.

(*e*) General Electric Co.: A member of the group was one of the organizers of the company, is a stockholder, and has always had two representatives in its directorate, and markets its securities.

(*f*) International Harvester Co.: A member of the group organized the company, named its directorate and the chairman of its finance committee, directed its management through a voting trust, is a stockholder, and markets its securities.

(*g*) Lackawanna Steel Co.: Members of the group have four directors in common with the company and, with associates, marketed its last issue of securities.

(*h*) Pullman Co.: The group has two representatives, Mr. Morgan, and Mr. Baker, in the directorate of this company.

(*i*) United States Steel Corporation: A member of the group organized this company, named its directorate, and the chairman of its

finance committee (which also has the powers of an executive committee) is its sole fiscal agent and a stockholder, and has always controlled its management.

Fourth, as regards the greater public utility corporations.

(*a*) American Telephone & Telegraph Co.: One or more members of the group are stockholders, have three representatives in its directorate, and since 1906, with other associates, have marketed for it and its subsidiaries security issues in excess of $300,000,000.

(*b*) Chicago Elevated Railways: A member of the group has two officers or directors in common with the company, and in conjunction with others marketed for it in 1911 security issues amounting to $66,000,000.

(*c*) Consolidated Gas Co. of New York: Members of the group control this company through majority representation on its directorate.

(*d*) Hudson & Manhattan Railroad: One or more members of the group marketed and have large interests in the securities of this company, though its debt is now being adjusted by Kuhn, Loeb & Co.

(*e*) Interborough Rapid Transit Co. of New York: A member of the group is the banker of this company, and the group has agreed to market its impending bond issue of $170,000,000.

(*f*) Philadelphia Rapid Transit Co.: Members of the group have two representatives in the directorate of this company.

(*g*) Western Union Telegraph Co.: Members of the group have seven representatives in the directorate of this company.

Summary of directorships held by these members of the group.—Exhibit 134-B (annexed hereto as Appendix E) shows the combined directorships in the more important enterprises held by Morgan & Co., the First National Bank, the National City Bank and the Bankers and Guaranty Trust Cos., which latter two, as previously shown, are absolutely controlled by Morgan & Co. through voting trusts. It appears there that firm members or directors of these institutions together hold:

One hundred and eighteen directorships in 34 banks and trust companies having total resources of $2,679,000,000 and total deposits of $1,983,000,000.

Thirty directorships in 10 insurance companies having total assets of $2,293,000,000.

One hundred and five directorships in 32 transportation systems having a total capitalization of $11,784,000,000 and a total mileage (excluding express companies and steamship lines) of 150,200.

Sixty-three directorships in 24 producing and trading corporations having a total capitalization of $3,339,000,000.

Twenty-five directorships in 12 public utility corporations having a total capitalization of $2,150,000,000.

In all, 341 directorships in 112 corporations having aggregate resources or capitalization of $22,245,000,000.

The members of the firm of J. P. Morgan & Co. hold 72 directorships in 47 of the greater corporations; George F. Baker, chairman of the board, F. L. Hine, president, and George F. Baker, jr., and C. D. Norton, vice presidents, of the First National Bank of New York, hold 46 directorships in 37 of the greater corporations; and

James Stillman, chairman of the board, Frank A. Vanderlip, president, and Samuel McRoberts, J. T. Talbert, W. A. Simonson, vice presidents, of the National City Bank of New York, hold 32 directorships in 26 of the greater corporations; making in all for these members of the group 150 directorships in 110 of the greater corporations.

The affiliations of these and other banking institutions with the larger railroad, industrial, and public utility corporations and banks, trust companies, and insurance companies of the United States, are shown in graphic form in two diagrams which are in evidence, and are attached to this report as Appendices F and G.

Relations between Morgan & Co., First National Bank, National City Bank, Lee Higginson & Co., Kidder, Peabody & Co., and Kuhn, Loeb & Co.—Besides the group composed of Morgan & Co. and the First National Bank and the National City Bank, the principal banking agencies through which the greater corporate enterprises of the United States obtain capital for their operations are the international banking firms of Kuhn, Loeb & Co., of New York, and Kidder, Peabody & Co. and Lee Higginson & Co., of Boston and New York.

While it does not appear that these three last-named houses are affiliated with the group consisting of the first three in so definite and permanent a form of alliance as that existing between the latter, it is established that as issuing houses they do not as a rule act independently in purchasing security issues but rather in unison and cooperation with one or more members of that group, with the result that in the vastly important service of arranging credits for the great commercial enterprises of the country there is no competition or rivalry between those dominating that field, but virtually a monopoly the terms of which the borrowing corporations must accept.

The full extent to which they participate in one another's issues does not appear, owing to the absence of data as to the names of underwriters, other than in strictly joint-account transactions of the issued of securities made by Messrs. Morgan & Co., Kuhn, Loeb & Co., the First National Bank, and the National City Bank. The distinction between the cases in which one of the banks or banking houses assumes the relation of an underwriter of an issue of securities made by one of the others and that in which they act in joint account is that in the former case underwriters do not share in the primary bankers' profit, but insure the former against loss, while in the case of a joint account they are partners and as such share in the original risks and profits.

The course of business is for the house acquiring from a corporation the right of purchasing or underwriting an issue of its securities to offer participations in the purchase or underwriting to one or more of the associates named. Taking as an illustration the latest issue of the American Telephone & Telegraph Co., the method of procedure is thus described in the testimony of Mr. Schiff (R., 1664):

Q. And is there not an issue now in course of offer to the public, of American Telephone & Telegraph bonds?

A. There is.

Q. Advertised in the last few days?

A. In course of offer to the stockholders; not to the public.

Q. They are in course of offer to the stockholders and if the stockholders do not take them, are they then to be offered to the public?

A. Then the underwriting syndicate will have to take them, and whether they will offer them to the public or not I do not know.

Q. But it is an issue that is publicly offered to the stockholders?—
A. It is going to be publicly offered to the stockholders.
Q. What is the amount of that issue?—
A. I believe it is between $60,000,000 and $70,000,000.
Q. It is $67,000,000, is it not?—
A. It may be $67,000,000; I do not recall.
Q. Is that a joint-account transaction between Morgan, Kidder, Peabody, and yourselves?—
A. It is a joint account transaction between Morgan's, First National Bank, the National City Bank, Kidder, Peabody & Co., and Baring Bros., and ourselves.
Q. Baring Bros., of London?—
A. Yes.
Q. Take that as an illustration; who made the deal with the company?
A. I believe J. P. Morgan & Co.
Q. And they invited you to participate on joint account with these other houses?—
A. They did.

The following table taken from the record shows the joint purchases and underwriting of securities principally since 1905, by the six banking institutions above named and also by the Illinois Trust & Savings Bank, the First National Bank, and the First Trust & Savings Bank of Chicago:

EXPLANATORY NOTE.—This table has been made up for the most part from data furnished by the undernoted banking institutions. Certain of said institutions did not report their transactions prior to 1908, so that the list of joint transactions prior to that year is incomplete. Moreover, J. P. Morgan & Co. reported only issues in which they were interested which have been publicly advertised. Their statement included, under the heading of associates, only those institutions which were principals with them in joint accounts. The National City Bank of New York and the First National Bank and First Trust & Savings Bank of Chicago did not report the institutions associated with them.

The information with regard to Kissel, Kinnicut & Co. was obtained from data furnished by the other institutions.

The table does not attempt to differentiate between joint purchases of securities and underwriting syndicate participations. In a few cases, where one or more banking institutions sold an issue of securities for account of a company, such institutions are shown by an asterisk (*), and the actual purchasers of the securities by a parallel (‖).

In general the original purchasers are shown by an asterisk (*), as also are original members of a purchasing syndicate. Syndicate managers or organizers are additionally noted by a dagger (†). In the case of joint purchases the institution which is publicly reported as the principal in the transaction is similarly noted.

Organizers of a subsidiary syndicate in which others of the undernoted banking institutions are participants are shown by a double dagger (‡).

All other syndicate participants or purchasers of securities through other institutions are shown by a parallel (‖).

Table showing joint purchases and underwritings of corporate securities by certain-named banking houses.

Description of security.	Amount issued.	Date of sale.	J. P. Morgan & Co.	First National Bank, New York.	National City Bank, New York.	Lee, Higginson & Co.	Kidder, Peabody & Co.	Kuhn, Loeb & Co.	Illinois Trust & Savings Bank, Chicago.	First National Bank, Chicago.	First Trust & Savings Bank, Chicago.	Kissel, Kinnicut & Co.
Amalgamated Copper 5% notes	$12,500,000	Apr., 1911			(*)		(‖)					
American Agricultural Chemical Co.:												
1st 5s, 1928	8,000,000	Oct., 1908	(‖)		(‖)	(*)						
1st 5s, 1928	4,000,000	Jan., 1911	(‖)		(‖)	(*)					(‖)	
6% cum. pfd	6,000,000	Apr., 1912			(‖)	(*)		(‖)				
American Cotton Oil 5s	5,000,000	Mar., 1911		(*)	(‖)		(‖)		(‖)			
American Smelters Sec. Co.:												
Pfd. A stock (French iss.)	15,350,000	June, 1912					(‖)	(*)				
Pfd. B	25,500,000	Apr., 1905				(‖)		(*)				
6% deb., 1926	15,000,000	Nov., 1910				(‖)		(*)				
American Telephone & Telegraph Co.:												
Conv. 4s, 1936	100,000,000	Feb., 1906	(*)		(‖)		(*)	(*)				
Conv. 4s, 1936	50,000,000	Nov., 1908	(*)		(‖)		(*)	(*)	(‖)	(‖)		
5% notes, 1910	25,000,000	Jan., 1907	(*)			(‖)	(*)	(‖)				
Collat. 4s, 1929	25,000,000	Mar., 1905				(‖)	(*)				(‖)	
Convertible 4s	67,000,000	Jan., 1913	(*)	(‖)	(‖)		(*)	(‖)				
American Woolen Co. pfd	5,000,000	July, 1905				(‖)	(‖)					
American Woolen Co. pfd	5,000,000	June, 1909				(‖)						
Armour & Co. 1st 4½s, 1939	30,000,000	May, 1909			(*)	(‖)	(‖)	(*)	(‖)	(‖)	(‖)	
Associated Simmons Hardware Co. 5-year 5s.	5,000,000	Oct., 1911					(‖)	(*)	(‖)			
Atchison, Topeka & Santa Fe Ry.:												
Gen. 4s, 1995	4,000,000	Mar., 1908	(*)			(‖)						
Conv. 4s, 1955	32,420,000	Jan., 1905	(*)				(‖)	(‖)				
Conv. 4s, 1955	28,258,000	June, 1909	(†)	(*)	(*)				(‖)			
Conv. 4s, 1960	43,686,000	Mar., 1910	(†)	(*)	(*)	(‖)			(‖)			

Transcont. Short Line 1st 4s	17,000,000	Aug.,	1908	(†)	(*)	(*)	(‖)	(‖)		(‖)			
Calif.-Ariz. first & ref. 4½s	18,300,000	Jan.,	1912	(†)	(*)	(*)							
Atlantic Coast Line R. R.:													
1st cons. 4s, 1952	4,500,000	Mar.,	1909	(*)	(*)	(*)							
Unified 4s, 1959	3,000,000	Apr.,	1911	(†)	(*)	(*)							
Baldwin Locomotive Works, first 5s, 1940	10,000,000	Apr.,	1910			(*)	(‖)	(‖)	(*)				
Baltimore & Ohio:													
Pittsburgh, Lake Erie & West Virginia—													
System 4s	13,100,000	Feb.,	1909		(‡)		(‖)		(*)	(‖)			
3-year 4½s	50,000,000	Feb.,	1911						(*)	(‖)			
Boston & Albany:													
4s, 1934	4,500,000	May,	1909	(*)				(*)					
Equipment 4½s, 1913-1927	5,220,000	Oct.,	1912	(*)	(*)	(*)	(‖)						(‡)
Boston & Lowell 4s, 1926	500,000	July,	1906				(‖)	(*)					
Boston & Lowell 1-yr. 6s	900,000	Jan.,	1908				(‖)	(‖)					
Boston & Maine 4s, 1926	10,000,000	Feb.,	1906				(*)	(*)					
Boston & Maine 3½s, 1909	7,300,000	Sept.,	1908				(‖)	(‖)					
Boston & Maine 1-yr. 4s	12,000,000	May,	1912	(*)	(*)	(*)	(‖)	(‖)					
Newport & Richford 1st 5s	350,000	Oct.,	1910	(*)			(*)						
J. I. Case Threshing Machine Co.:													
7% preferred	8,000,000	Jan.,	1912	(*)						(‖)			
Central Pacific Ry.:													
1st ref. 4s, 1949	18,000,000	July,	1908			(*)			(†)				
European Loan 4s	50,000,000	Feb.,	1911					(‖)	(*)				
Chesapeake & Ohio Ry.:													
Genl. 4½s, 1992	1,000,000	Feb.,	1907	(*)					(*)				
Genl. 4½s, 1992	1,591,000	Aug.,	1910	(*)		(*)	(‖)		(*)				
Genl. 4½s, 1992	1,839,000	Jan.,	1911	(*)		(*)			(*)				
Genl. 4½s, 1992	374,000	Jan.,	1912			(*)			(*)				
3-year 6% notes	5,000,000	June,	1907	(*)					(*)				
Consol. 5s, 1939	2,000,000	Apr.,	1908	(*)					(*)				(‖)
Consol. 5s, 1939	2,000,000	Nov.,	1910	(*)		(*)			(*)				
2-year 6s	2,500,000	Apr.,	1908	(*)					(*)				
Genl. fdg. & imp. 5s	11,000,000	Dec.,	1908	(*)					(*)	(‖)			
20-yr. 4½s, 1931	31,390,000	Mar.,	1910	(*)		(*)	(‖)	(‖)	(†)	(‖)	(‖)		
Three-year 4½s	16,000,000	Apr.,	1911			(*)			(*)	(‖)			
Three-year 4½s	3,500,000	Mar.,	1912			(*)			(*)				
Three-year 4½s	1,000,000	July,	1912			(*)			(*)				
Three-year 4½s	1,000,000	Oct.,	1912			(*)			(*)				
Equipment 5s A	4,800,000	Aug.,	1910	(*)		(*)			(*)				
Chicago & Alton:													
Ref. 3s, 1949	8,000,000	Jan.,	1909			(‖)			(*)				
Chicago, Burlington & Quincy:													
Illinois Div. 4s	19,699,000	June,	1906	(*)				(‖)	(‖)				
General 4s, 1958	16,000,000	Feb.,	1908	(*)	(‡)	(‡)	(‡)			(‖)			
General 4s, 1958	15,000,000	Feb.,	1909	(*)	(‡)	(‡)	(‡)	(‖)					
General 4s, 1958	8,000,000	Feb.,	1911		(*)	(‖)		(‖)					
Chicago City & Connecting:													
Collat. 5s, 1927	22,000,000	Jan.,	1910	(*)		(‖)				(*)	(‖)	(*)	
Chicago City Ry.:													
Stock syndicate	33,943,800	Feb.,	1905	(*)		(‖)						(‖)	

Table showing joint purchases and underwritings of corporate securities by certain-named banking houses—Continued.

Description of security.	Amount issued.	Date of sale.	J. P. Morgan & Co.	First National Bank, New York.	National City Bank, New York.	Lee, Higginson & Co.	Kidder, Peabody & Co.	Kuhn, Loeb & Co.	Illinois Trust & Savings Bank, Chicago.	First National Bank, Chicago.	First Trust & Savings Bank, Chicago.	Kissel, Kinnicut & Co.
Chicago Elevated Rys.:												
Stock synd. preferred	$16,000,000	June, 1911			(*)				(‡)			
Stock synd. common	20,000,000	June, 1911			(*)				(‡)			
5s, 1914	30,000,000	June, 1911			(*)				(‡)			
Chicago Great Western:												
1st 4s, 1959	18,500,000	May, 1909	(*)		(‡)	(‡)	(‡)		(‡)			
Preferred	10,136,604	May, 1909	(*)		(‡)	(‡)	(‡)		(‡)		(‡)	
Common	31,641,333	May, 1909	(*)		(‡)	(‡)	(‡)		(‡)			
Chicago, Indiana & Southern:												
4s, 1956	15,150,000	Mar., 1908	(†)	(*)	(*)	(‡)						
Chicago, Milwaukee & Puget Sound:												
First 4s, 1949	25,000,000	Mar., 1911			(*)	(‡)	(‡)	(*)	(‡)	(‡)	(‡)	
Chicago, Milwaukee & St. Paul:												
Genl. 4s, 1989	25,000,000	Dec., 1909			(*)		(‡)	(*)		(‡)		
Deb. 4s, 1934	28,000,000	June, 1909			(*)			(*)	(‡)			
Conv. 4½s, 1932	34,893,500	Apr., 1912			(*)			(*)				
Chicago & North Western Ry.:												
Genl. 3½s, 1987	10,000,000	Jan., 1909			(‡)		(‡)	(*)		(‡)		
Genl. 4s, 1987	15,000,000	Nov., 1910			(‡)	(‡)		(*)	(‡)		(‡)	
Genl. 4s, 1987	7,500,000	Apr., 1911			(‡)	(‡)	(‡)	(*)	(‡)		(‡)	
C. St. P. M. & O. deb. 5s	5,000,000	Jan., 1912						(*)	(‡)			
Man. G. B. & N. W. 1st 3½s	3,750,000	Jan., 1909			(‡)		(‡)	(*)				
Mil. & State Line 3½s	2,500,000	Jan., 1909			(‡)		(‡)	(*)				
Chicago Railways Co.:												
1st 5s, 1927	5,000,000	Feb., 1908			(*)				(‡)			
1st 5s, 1927	3,000,000	May, 1908			(*)				(‡)			
1st 5s, 1927	16,387,000	Feb., 1909			(*)				(‡)			
1st 5s, 1927	15,000,000	Jan., 1911			(*)				(‡)			
5-year 6s	4,325,000	Feb., 1908			(‡)				(‡)			
Chicago, Rock Island & Pacific:												
Extended 6s, 1909	6,000,000	Mar., 1908							(‡)	(‡)		
Deb. 5s, 1932	20,000,000	Jan., 1912					(‡)		(‡)	(‡)		
R. I. Ark. & La. 4½s, 1934	11,000,000	Feb., 1910							(‡)	(‡)	(‡)	
St. P. & K. C. S. L. 4½s, 1941	10,000,000	Feb., 1911							(‡)	(‡)	(‡)	
Chicago Telephone Co.:												
First 5s, 1923	5,000,000	Oct., 1908	(‡)		(‡)	(*)			(‡)		(*)	
First 5s, 1923	14,000,000	Apr., 1912				(*)			(*)		(*)	
Chicago & Western Indiana:												
Consol. 4s, 1952	1,700,000	Jan., 1911	(*)									
3-year 5s	10,000,000	Aug., 1912	(*)		(‡)				(‡)		(‡)	

Cincinnati, Hamilton & Dayton:												
First ref. 4s, 1959	12,500,000	Oct., 1909			(‡)		(‡)	(*)	(‡)		( )	
Cleveland, Cincinnati, Chicago & St. Louis:												
4 per cent French loan	10,000,000	Apr., 1910	(†)	(*)	(*)							
4½ per cent loan, 1931	5,000,000	May, 1911	(*)	(*)	(*)							
Commonwealth Edison Co.:											(‡)	
1st 5s, 1943	10,000,000	Jan., 1909							(*)		(†)	
1st 5s, 1943	10,000,000	July, 1910			(‡)				(‡)		(*)	
Concord & Montreal:												
1st cons. 5s, 1920	500,000	Oct., 1910	(*)			(*)						
Consolidation Coal Co.:												
1st & ref. 5s	9,000,000	Nov., 1910			(*)			(*)				
1st & ref. 5s	2,500,000	Apr., 1911			(*)			(*)				(*)
1st & ref. 5s	1,500,000	Feb., 1912			(*)			(*)				
Corn Products Refining Co.:												
1st 5s	5,000,000	Apr., 1909							(‡)	(‡)	(‡)	
Cudahy Packing Co.:												
1st 5s, 1924	4,000,000	Apr., 1909	(‡)		(‡)	(*)			(‡)			
Cumberland Corporation Syndicate	15,000,000	June, 1906			(‡)		(‡)					
Clinchfield Syndicate	10,000,000	Dec., 1910			(‡)		(‡)					
Cumberland Telegraph & Telephone Co.:												
1st 5s	15,000,000	Feb., 1912				(*)			(‡)			
Delaware & Hudson Co.:												
1st & ref. 4s, 1943	13,309,000	July, 1908		(*)	(‡)		(‡)	(*)				
1st & ref. 4s, 1943	7,165,000	Dec., 1909		(*)			(‡)	(*)				
1st & ref. 4s, 1943	6,000,000	Jan., 1911		(*)	(‡)			(*)				
Equip. 1st lien 4½s	10,000,000	May, 1907		(*)				(*)				
6 mos. 4½s	8,000,000	Jan., 1908		(*)				(*)				
Erie R. R.:												
Conv. 4s "B," 1953	12,000,000	Sept., 1905	(*)				(‡)					
6 mos. loan	5,000,000	Oct., 1906	(*)	(*)								
6 per cent notes 1914	12,500,000	Feb., 1911	(*)	(*)	(*)	(‡)						
5 per cent notes 1914	4,550,000	Sept., 1911	(*)	(*)	(*)							
5 per cent notes, 1915	10,000,000	Apr., 1912	(†)	(*)	(*)	(‡)						(‡)
Fitchburg R. R.:												
1-year 6s	500,000	Feb., 1908				(‡)	(‡)					
4½s, 1928	2,400,000	Apr., 1908				(‡)	(‡)					
Florida East Coast:												
1st 4½s	10,000,000	June, 1909	(*)	(*)	(*)				(‡)		(‡)	
General Electric:												
5s, 1952	10,000,000	Sept., 1912	(†)	(‡)	(‡)	(*)						
General Motors:												
1st lien notes, 1915	15,000,000	Nov., 1910				(*)		(*)	(‡)			
Great Northern:												
1st ref. 4½s	20,000,000	May, 1911	(*)	(*)	(*)	(‡)	(‡)					
Hocking Valley Ry.:												
1st cons. 4½s, 1999	1,584,000	Mar., 1910	(*)		(*)							
2 year 4½s	4,000,000	Oct., 1911			(*)			(*)				
Kana. & Mich. 2d 5s, 1927	2,500,000	Nov., 1909	(*)			(‡)		(*)	(‡)			

Table showing joint purchases and underwritings of corporate securities by certain-named banking houses—Continued.

Description of security.	Amount issued.	Date of sale.	J. P. Morgan & Co.	First National Bank, New York.	National City Bank, New York.	Lee, Higginson & Co.	Kidder, Peabody & Co.	Kuhn, Loeb & Co.	Illinois Trust & Savings Bank, Chicago.	First National Bank, Chicago.	First Trust & Savings Bank, Chicago.	Kissel, Kinnicut & Co.
Illinois Central R. R.:												
Refund. 4s, 1955	$20,000,000	Nov., 1908					(‖)	(*)	(‖)			
Refund. 4s, 1955	10,000,000	June, 1911					(‖)	(*)				
Two year 4½s	15,000,000	July, 1912			(‖)		(‖)	(*)				
Illinois Steel Co.:												
4½s, 1940	10,000,000	June, 1911	(†)	(*)	(*)	(‡)	(‖)		(‖)			
Illinois Steel Co.:												
4½s, 1940	5,500,000	Apr., 1912	(†)	(‖)	(‖)	(*)	(‖)					(‡)
Indiana Steel Co.:												
5s, 1952	15,000,000	Apr., 1912	(*)	(*)	(*)	(‖)						(*)
Inspiration Consolidated Copper Syndicate.	20,000,000	Jan., 1912	(*)				(‖)					(‖)
Interboro. Rapid Transit Co.:												
5% bonds	10,000,000	July, 1909	(*)		(‖)	(‖)			(‖)			
3 year conv. 6s	25,000,000	Aug., 1908	(*)		(‖)							
New 53 year 5s	170,000,000	Aug., 1913	(*)	(‖)	(‖)							
International Harvester Co.:												
5% notes, 1915	15,000,000	Jan., 1912	(*)	(‖)	(‖)	(‖)			(‖)			
Iroquois Iron Co.:												
1st 5s, 1912-1929	2,300,000	Nov., 1909				(*)			(‖)			
Jones & Laughlin Steel Co.:												
1st 5s, 1939	10,000,000	June, 1911				(‖)				(‖)	(*)	
Kansas City Ry. & Light Co.:												
5 year 6s	4,125,000	July, 1907						(*)	(‖)			
5 year 6s conv. "B"	1,375,000	Apr., 1910	(*)		(‖)	(†)			(‖)			
1st lien ref. 5s, 1913	1,000,000	Apr., 1910	(*)		(‖)	(†)			(‖)			
Kansas City & Southern:												
Ref. & Improvement 5s	10,000,000	May, 1909			(‖)				(‖)		(‖)	
Ref. & Improvement 5s	5,000,000	Feb., 1911			(‖)				(‖)			
Kansas City Term. Ry.:												
1st 4s, 1960	12,500,000	Feb., 1910	(‖)		(‖)	(*)			(‖)			
1st 4s, 1960	7,500,000	Nov., 1910	(‖)		(‖)	(*)			(‖)			
1st 4s, 1960	10,000,000	Dec., 1912	(*)			(*)			(*)			
4% & 4½% notes	1,400,000	June, 1912	(‖)			(‡)			(*)			
Keystone Coal & Coke Co.:												
First & ref. 6s	5,300,000	Jan., 1911	(*)				(‖)					
Lackawanna Steel Co.:												
1st consolidated 5s	10,000,000	Jan., 1910			(‖)				(‖)	(‖)		
5 yr. conv. 5s	10,000,000	Jan., 1910							(‖)	(‖)		
Lake Shore & Michigan Southern:												
Deb. 4s, 1928	40,000,000	Nov., 1903	(†)	(*)	(*)							
Deb. 4s, 1928	10,000,000	May, 1905	(*)				(‖)					

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Deb. 4s, 1931	35,000,000	Feb., 1906	(*)				(‖)					
Deb. 4s, 1931	15,000,000	Feb., 1910	(†)	(*)	(*)							
Three year 5s	15,000,000	Jan., 1907	(*)				(‖)		(‖)			
1 year notes	8,500,000	Mar., 1910	(*)	(*)	(*)							
1 year notes	12,000,000	Feb., 1911	(†)	(*)	(*)							
1 year notes	7,000,000	Feb., 1912	(†)	(*)	(*)							
1 year notes	5,000,000	Feb., 1912	(†)	(*)	(*)							
Jamestown, Frkln. & Clfd. 4s	11,000,000	Feb., 1910	(*)	(*)	(*)							
Louisville & Nashville:												
Atl. Knox. & Cin. Div. 4s	10,000,000	Feb., 1906	(†)	(*)							(‖)	
Atl. Knox. & Cin. Div. 4s	10,000,000	Jan., 1911	(†)	(*)	(*)						(‖)	
Unified 4s	18,200,000	Jan., 1909	(†)	(*)	(*)	(‖)						(‖)
Pad. & Mem. Div. 4s	4,619,000	Jan., 1909	(†)	(*)	(*)							
Pensa. & Atlant. 1st 6s	500,000	Jan., 1909	(†)	(*)	(*)							
L. & N. Term. 4s	2,500,000	Jan., 1909	(†)	(*)	(*)							
So. & Nor. Ala. cons. 5s	4,045,000	Jan., 1909	(†)	(*)	(*)							
Mahoning & Shenango Ry. & Light:												
1st cons. ref. 5s, 1916	3,800,000	Dec., 1909				(‡)			(‖)			
Maine Central:												
4½% notes, 1912	5,000,000	Mar., 1910	(‖)			(*)						
4% notes, 1913	12,000,000	Feb., 1912	(†)	(*)	(*)	(‖)	(‖)					
Metropolitan Street Ry. of Kansas City:												
Cons. 5s, 1913	5,813,000	Apr., 1910	(‖)		(‖)	(*)			(‖)			
1st lien ref. 5s, 1913	1,400,000	Feb., 1911	(‖)			(*)						
Michigan Central:												
3 year 5s	10,000,000	Jan., 1907	(*)				(‖)		(‖)			
Deb. 4s, 1929	7,654,000	Mar., 1909	(†)	(*)	(*)				(‖)			
1 year notes	10,000,000	Oct., 1910	(*)	(*)	(*)							
1 year notes 4%	4,000,000	Mar., 1912	(*)	(*)	(*)							
Grand Riv. Vy. 4s	1,500,000	Feb., 1910	(*)	(*)	(*)							
Joliet & Nor. Ind. 4s	1,500,000	Apr., 1907	(*)			(‖)						
Can. Sou. cons. 5s	22,500,000	Nov., 1912	(*)	(*)	(*)							
Det. Riv. Tunnel 1st 4½s	14,000,000	May, 1911	(*)	(*)	(*)							
Milwaukee, Sparta & Northwestern:												
First 4s, 1947	15,000,000	Jan., 1912			(‖)	(‖)	(‖)	(*)	(‖)	(‖)	(‖)	
Minneapolis & St. Louis:												
Exten. 5s	4,000,000	Dec., 1910			(*)				(‖)		(‖)	
Missouri Pacific Ry.:												
Convert. 5s, 1959	29,806,000	Nov., 1909			(‖)	(‖)	(‖)	(*)	(‖)		(‖)	
5% notes, 1914	20,000,000	Mar., 1911					(‖)		(‖)			
Morris & Co.:												
Firsts 4½s	10,000,000	June, 1909			(‖)				(‖)	(‖)	(*)	
National Enam. & Stpg. Co.:												
Refunding 5s	3,500,000	June, 1909			(‖)				(‖)			
National Tube Co.:												
First 5s	10,000,000	Apr., 1912	(*)	(*)	(*)	(‡)						(‡)
New England Telegraph & Telephone Co.:												
5s, 1932	10,000,000	Oct., 1912				(‖)	(‖)	(‖)				

Negotiations with regard to this issue still pending.

Table showing joint purchases and underwritings of corporate securities by certain-named banking houses—Continued.

Description of security.	Amount issued.	Date of sale.	J. P. Morgan & Co.	First National Bank, New York.	National City Bank New York.	Lee, Higginson & Co.	Kidder, Peabody & Co.	Kuhn, Loeb & Co.	Illinois Trust & Savings Bank, Chicago.	First National Bank, Chicago.	First Trust & Savings Bank, Chicago.	Kissel, Kinnicut & Co.
New York Central & Hudson Riv.:												
5% notes, 1910	$25,000,000	Jan., 1907	(*)				(‖)		(‖)			
4% Deb., 1943	13,000,000	June, 1908	(*)	(*)	(*)	(‡)					(‖)	
Equip. 4½s, 1910	7,500,000	Nov., 1910	(†)	(*)	(*)				(‖)			
Equip. 4½s, 1912	15,000,000	Dec., 1911	(*)	(*)	(*)							
3-year 4½s	5,000,000	Mar., 1911	(†)	(*)	(*)		(‖)					
3-year 4½s	15,000,000	May, 1912	(†)	(*)	(*)							
3-year 4½s	5,000,000	July, 1912	(†)	(*)	(*)							
1-year 4½s	2,000,000	May, 1912	(*)	(*)	(*)							
1-year 4½s	2,000,000	June, 1912	(*)	(*)	(*)							
1-year 5s	2,000,000	Oct., 1912	(*)	(*)	(*)							
Merch. desp. equipment	1,050,000	June, 1912	(*)	(*)	(*)							
New York, Chicago & St. Louis:												
Deb. 4s, 1931	2,000,000	July, 1908	(*)		(‖)	(‖)						
Deb. 4s, 1931	3,942,000	Jan., 1909	(*)		(‖)	(‡)	(‖)		(‖)			
New York, New Haven & Hartford:												
Deb. 4s, 1955	15,000,000	Feb., 1905	(*)			(‖)	(‡)					
European loan 4s	28,000,000	Feb., 1907			(*)			(†)				
4½% notes, 1912	10,000,000	Jan., 1911	(*)			(*)	(‖)					
1-year 4s	30,000,000	Jan., 1912	(*)	(‖)	(‖)	(‖)						
1-year 5s	40,000,000	Nov., 1912	(*)	(*)	(*)	(‖)	(‖)					
Harlem River & Portchester 4s	3,942,000	May, 1908		(‖)		(‖)	(*)					
Boston & New York Air Line 4s	1,802,000	May, 1908		(‖)		(‖)	(*)					
Pawtucket Valley 1st 4s	160,000	May, 1908		(‖)		(‖)	(*)					
N. H. & Northampton 4s	3,208,000	May, 1908		(‖)		(‖)	(*)					
3-year 4½s	2,000,000	May, 1908		(‖)		(‖)	(*)					
Cent. New Eng. 1st 4s	11,927,000	May, 1911	(*)	(*)	(*)	(‖)			(‖)			
N. Y., Westch. & Bost. 4½s	17,200,000	July, 1911	(†)	(*)	(*)	(‖)	(‖)		(‖)			(‡)
N. Y., Westch. & Bost. 4½s	2,000,000	Oct., 1912	(*)	(*)	(*)							(‡)
New York, Ontario & Western:												
Gen. mtge. 4s	2,000,000	Sept., 1905	(*)					(*)				
Gen. mtge. 4s	2,702,000	Oct., 1911			(‖)							
New York Telephone Co.:												
4½s, 1939	25,000,000	Dec., 1909	(‖)		(‖)		(*)	(‖)	(‖)		(‖)	
4½s, 1939	10,000,000	July, 1910	(‖)		(‖)	(‖)	(*)	(‖)	(‖)			
4½s, 1939	10,000,000	May, 1912	(‖)				(*)	(‖)				
4½s, 1939	5,000,000	Oct., 1912	(‖)				(*)	(‖)				
Norfolk & Western:												
Div. 1st lien & genl. 4s	10,000,000	Jan., 1909			(‖)	(‖)		(*)	(‖)			
Oregon-Washington R. R. & Navigation:												
1st 4s, 1961	40,000,000	May 1911				(‖)	(‖)	(*)	(‖)	(‖)	(‖)	

Pacific Power & Light Co.:													
1st ref. 5s	7,500,000	Aug.,	1911			(*)				(‡)			
Pacific Telegraph and Telephone Co.:													
5s, 1937	16,500,000	Mar.,	1909	(†)	(*)	(*)	(‡)	(‡)		(‡)			
2-year 5s, 1913	5,000,000	Jan.,	1911			(‡)	(‡)						
Pennsylvania R. R.:													
Conv. 3½s, 1915	100,000,000	Mar.,	1905	(*)				(‡)	(*)				
Penna. Co. 4s, 1931	20,000,000	Jan.,	1906				(‡)	(‡)	(*)				
P. C. C. & St. L. Cons. 4s G	4,000,000	June,	1910						(*)				
Collat. 5s, 1910	60,000,000	Apr.,	1907						(*)	(‡)			(*)
Portland & Ogdensburg:													
1st 4½s, 1928	2,119,000	May,	1908				(*)	(‡)					
Portland Ry., Light & Power:													
1st & ref. 5s, 1942	16,000,000	Feb.,	1912	(*)			(*)						
Portland Terminal Co.:													
1st 4s	4,500,000	Nov.,	1912	(*)	(*)	(*)		(‡)					(‡)
Public Service Corporation, N. J.:													
5s, 1959	13,860,000	Mar.,	1911			(*)				(‡)			
Reading Co.:													
Genl. 4s	18,811,000	Jan.,	1911	(†)	(*)	(*)		(‡)					
St. Louis & San Francisco:													
Genl. lien 5s, 1927	18,000,000	Apr.,	1909			(‡)				(‡)			
Genl. lien 5s, 1927	12,000,000	July,	1909			(‡)				(‡)			
2-year 5s, 1913	2,250,000	May,	1911				(‡)	(‡)					
Seaboard Air Line:													
Adj. 5s	25,000,000	June,	1909			(‡)				(‡)			
Refund. 4s	23,000,000	Jan.,	1911			(‡)				(‡)			
Southern Bell Tel. & Tel. 1st 5s	10,000,000	Dec.,	1910					(*)		(‡)			
Southern Pacific Co.:													
Convert. 4s, 1929	44,500,000	Feb.,	1909			(*)	(‡)	(‡)	(*)	(‡)	(‡)	(‡)	
R. R. 1st & ref. 4s, 1955	14,300,000	Oct.,	1908			(‡)			(*)	(‡)		(‡)	
R. R. 1st & ref. 4s, 1955	2,614,000	Oct.,	1908							(‡)			(*)
R. R. 1st & ref. 4s, 1955	10,000,000	Jan.,	1909			(*)			(*)				
Southern Pacific Co. (Cont.):													
S. F. Term. first 4s	25,000,000	June,	1910					(‡)	(*)				
Southern Ry.:													
Consol. 5s, 1994	2,000,000	Dec.,	1905	(*)	(*)								
Consol. 5s, 1994	5,000,000	Sept.,	1909	(*)	(*)	(*)							
5% loan	2,000,000	Feb.,	1905	(*)	(*)								
5% loan	2,750,000	Nov.,	1905	(*)	(*)								
Devel. % genl. 4s	21,333,000	Feb.,	1909	(†)	(*)	(*)	(‡)	(‡)				(‡)	
Devel. % genl. 4s	15,000,000	May,	1909	(†)	(*)	(*)							
Equip. 4½s, 1908-1921	9,000,000	Dec.,	1905	(*)			(‡)						
Convert. 6s, 1911	15,000,000	May,	1908	(*)		(‡)	(‡)						
Three year 5s	10,000,000	Jan.,	1910	(*)		(‡)							(‡)
Terminal R. R. Association of St. Louis:													
Genl. ref. 4s, 1953	1,000,000	May	1908	(*)			(‡)						
Terre Haute, Indianapolis & Eastern:													
First ref. 5s, 1945	6,500,000	Apr.,	1910	(*)			(*)						
Union Bag & Paper Co.:													
First 5s, 1930	800,000	Apr.,	1909			(*)	(*)						
First 5s, 1930	750,000	Mar.,	1912			(*)	(*)						

Table showing joint purchases and underwritings of corporate securities by certain-named banking houses—**Continued.**

Description of security.	Amount issued.	Date of sale.	J. P. Morgan & Co.	First National Bank, New York.	National City Bank, New York.	Lee, Higginson & Co.	Kidder, Peabody & Co.	Kuhn, Loeb & Co.	Illinois Trust & Savings Bank, Chicago.	First National Bank, Chicago.	First Trust & Savings Bank, Chicago.	Kissel, Kinnicut & Co.
Union Pacific R. R. Co.:												
First ref. 4s, 2008	$50,000,000	Sept., 1908			(‡)			(*)	(‡)			
United Dry Goods Co.:												
Preferred	10,000,000	May, 1909	(*)				(‡)					
United Fruit Co.:												
Deb. 4½s, 1923	4,250,000	Nov., 1908	(‡)		(‡)	(*)	(‡)		(‡)			
Deb. 4½s, 1925	2,500,000	June, 1911				(*)			(‡)			
United Light & Rys.:												
First & ref. 5s	4,300,000	June, 1912			(‡)				(‡)			
United States Rubber Co.:												
Collat. funding 5s	8,000,000	Mar., 1908	(*)	(*)			(*)					
Collat. 6s, 1918	15,000,000	Nov., 1908		(*)			(‡)					
Genl. Rubber 4½s	2,900,000	Oct., 1911		(*)	(‡)							
United States Smelting, Refining & Mining:												
Common stock	2,503,400	Oct. 1906				(*)	(‡)					(‡)
Three year 5s	4,000,000	Aug. 1911				(*)			(‡)		(‡)	
Utah Co. 5 year 6s	10,000,000	Apr., 1912				(*)	(‡)		(‡)		(‡)	
Virginian Ry. 5s, 1962	25,000,000	Mar., 1912	(‡)		(‡)	(*)						
Wabash R. R.:												
Equipment 4½s C	6,180,000	June, 1906	(‡)			(*)						(*)
Western Electric Co.:												
First 5s, 1922	8,750,000	Jan., 1910				(*)	(‡)		(‡)		(‡)	
First 5s, 1922	6,250,000	Nov., 1910	(‡)			(*)			(‡)		(‡)	
Western Tel. & Tel. Co.:												
So. West. Tel. & Tel. 5s	2,500,000	Jan., 1911				(‡)	(*)					
No. West. Tel. & Tel. 5s	1,000,000	Jan., 1911				(‡)	(*)					
Western Tel. & Tel. 5s	3,500,000	Jan., 1911				(‡)	(*)					
Two-year 5s	10,000,000	Jan., 1910					(*)		(‡)			
Westinghouse Elec. & Mfg. Co.:												
Convert. 5s	15,000,000	Jan., 1906					(‡)	(*)				
Western Pacific:												
First 5s, 1933	49,500,000	Apr., 1905				(‡)			(‡)			
Total of all above securities	3,607,512,637											

From this it appears that since 1905, under joint arrangements with Morgan & Co., the First National Bank, or the National City Bank, sometimes with one, sometimes with another, sometimes with all, Lee-Higginson & Co. have participated in the marketing of upward of 80 security issues aggregating about $950,000,000; Kidder, Peabody & Co. in the marketing of upward of 60 issues, aggregating over $1,000,000,000; and Kuhn, Loeb & Co. in the marketing of upward of 60 issues, aggregating over $1,000,000,000.

It was admitted by Mr. Davison, of Morgan & Co., and other bankers that the practice of banking houses becoming in effect partners in the purchasing and underwriting of securities instead of acting independently of one another is a development of recent years. Mr. Davison testified as follows (R., 1854, 1855):

Q. Recently, within the last few years, many of the issues of J. P. Morgan & Co. have been made jointly with the First National Bank and the National City Bank, have they not?

A. Yes.

Q. And many with Lee-Higginson and with western bankers?

A. No; not very many with the western bankers. As a matter of fact, I recall very few with the western bankers. We have made them occasionally with Lee-Higginson and with other houses.

Q. You have made them very largely with Lee-Higginson?

A. It is comparative. I do not think we have, very largely.

Q. But your main joint-account transactions are with the City Bank and the First National Bank?

A. I think they have been.

Q. Is it not a fact that in previous years you made the issues largely alone, prior to five years ago?

A. I think more largely alone; yes, sir. They were smaller in character.

Q. Within what length of time has it been that J. P. Morgan & Co. have done most of their issuing business in joint account? Has it been within your time?

A. No; I think it was a little before my time.

Q. You think it started a little before your time?

A. I think it started a little before my time. In fact, the evidence shows that it did.

Mr. Schiff said (R., 1688):

Q. Don't you know that most of the Morgan issues in the past few years have been made jointly; that is, that the City Bank has participated in them with the First National?

A. I do.

Mr. Schiff is a director of the City Bank.

It will be noticed that Mr. Davison advances the great size of present-day security issues in explanation of why banking houses now purchase such issues in combination or for joint account instead of independently, as formerly. The fact is, however, as appears from the above-mentioned table, that not only are small issues still very frequent, but they are purchased in concert as regularly as the larger issues. Of the issues since 1907 shown on that table as having been purchased or underwritten by two or more of the banking houses there named acting together, about 90 were for $5,000,000 and less, while an additional 60 were for amounts between $5,000,000 and $10,000,000. It also appears that 45 of such issues for $5,000,000 and less, most of them made since 1909, were purchased or underwritten by Morgan & Co. in conjunction with associates.

Of course we do not suggest that banking houses may not on particular occasions join in purchasing or underwriting an issue of securities and yet remain entirely independent and free to compete with

each other generally in the purchase of security issues. But where a group of such banking houses, pursuant to a settled policy, regularly purchase these issues in concert competition amongst them in this vastly important commercial function is effectually suppressed. And that is the situation in this country. No less an authority than Mr. Baker admitted as much (R., 1542, 1543):

Q. But among these banking houses that we have named is there not a strong and continuous community of interest in the purchase and sale of securities?
A. I think there is. We have always tried to deal with our friends rather than with people we do not know.
Q. It is a good deal better to deal with your friends and split it up than it is to compete for the securities?
A. Not necessarily.
Q. That is what happens, is it not?
A. Oh, I do not think so to any great extent.
Q. Have you ever competed for any securities with Morgan & Co. in the last five years? If so, give us the name of them.
A. I do not know that we have competed with them.
Q. You divide with them, do you not? You give them a part of the issues when you have it?
A. We are very apt to.
Q. And if they take a security they give you a part of the issue, do they not?
A. Yes.
Q. That is what is known as the modern system of cooperation and combination as against the antique system of competition, is it not?
A. That is rather a long name for me.
Q. You understand the question. I would like to have you answer it.
A. I never heard it called in that way before.
Q. How would you call it?
A. I would not call it at all.
Q. You know what cooperation is, do you not?
A. Yes.
Q. Is that not cooperation as against competition? That is the modern system of cooperation as against the archaic system of competition, is it not?
A. I do not understand how you state that.
Q. That is right, is it not?
A. All right; yes.
Q. And that has been found to work very well, has it not?
A. I think so.
Q. For the bankers?
A. Yes; and for others, too.

Moreover, the banking houses which have joined in the plan of cooperation comprise the principal mediums through which the greater corporations of the country obtain their supplies of capital. The charge for capital, which, of course, enters universally into the prices of commodities and of service, is thus in effect determined by agreement amongst those supplying it, and not under the check of competition. If there be any virtue in the principle of competition, certainly any plan or arrangement which prevents its operation in the performance of so fundamental a commercial function as the supplying of capital is peculiarly injurious.

The possibility of competition between these banking houses in the purchase of securities is further removed by the understanding amongst them and others that one will not seek by offering better terms to take away from another a customer which it has theretofore served, and by the corollary of this, namely, that where given bankers have once satisfactorily united in bringing out an issue of a corporation they shall also join in bringing out any subsequent issue of the same

corporation. This is described as a principle of banking ethics. It is thus stated by Mr. Hine, president of the First National Bank of New York (R., 2045, 2046):

Q. Recently your bank made an issue, jointly with J. P. Morgan & Co. and the National City Bank, of Chicago & Western Indiana Railway bonds, of ten millions, did it not?
A. Notes.
Q. Ten millions of notes, yes. Why was it necessary that three great banking houses should join in an issue of that kind?
A. I do not know of any reason.
Q. Was it not because they had been jointly interested in previous issues of the same company?
A. I do not know that it was.
Q. Had they been jointly interested in previous issues?
A. I think they had.
Q. Is it or is it not the custom when banking houses are interested or become interested in one kind of issues of a company that they retain that interest in other issues?
A. Often it is so.
Q. That is part of the banking ethics, is it not?
A. Yes, I would say it is; on satisfactory terms.
Q. Is it another rule of banking ethics that bankers shall not interfere with one another's customers?
A. The same ethics obtain in banking that obtain in the legal profession and in the medical profession as to infringing upon the preserves of others.
Q. Well, what are the ethics in the banking profession as to trespassing upon the preserves of others?
A. If you will tell me what the ethics are in the legal world, I will answer your question.
Q. No; I would rather have you tell me the ethics in the world with which you are acquainted.
A. I can not state the matter any better than you have. It is the custom—I am not dealing in ethics.
Q. What is the custom among bankers and banking houses as to anyone interfering with another's customer in business?
A. I do not know whether there is any custom. I think it is considered unprofessional.
Q. Unbusinesslike?
A. And not in good form according to the highest principles of business practice.
Q. Is it not in accordance with banking ethics to interfere with or take customers away from firms; to take customers who have been doing business with some other banking house?
A. I think that is ordinarily considered high-minded practice not to do so.

Mr. Davison testifying on the same subject said (R., 1858, 1859):

Q. Then you know of these three instances—the Chicago & Western Indiana Railway Co., the Kansas City Terminal Co., and the New York Central, all made within a few weeks jointly with other banking houses—those we have been discussing. Is there any rule or custom among bankers that where they make one issue of a company or are interested together in one issue they remain interested in subsequent issues?
A. For the same company?
Q. Yes.
A. As a matter of practice, if it was satisfactory in every particular, I should say it was the custom; yes. It is a matter of banking ethics.
Q. A matter of banking ethics?
A. I should say so; yes.
Q. If either one of the three thereafter gets an issue of that company it is a matter of banking ethics that it is for joint account, is it?
A. I should say that the natural way of handling that business would be to have it go to the parties who handled it before, if it were satisfactorily handled; yes.
Q. You mean if they have not had any differences or disagreements between themselves?
A. Yes, if it was satisfactorily handled.

Q. Have you not within the last few weeks also taken an issue of $67,000,000 of American Telephone & Telegraph Co. bonds jointly with Lee-Higginson and other banking houses?

A. No.

Q. You participated with them in that issue?

A. Excuse me, I was going to answer your question. I think with others, not including Lee-Higginson & Co. as principals, but with Kidder, Peabody & Co., the First National, the National City Bank, Baring Bros. & Co. (Ltd.), of London, and Morgan-Grenfell (Ltd.), of London, we have underwritten an issue of $67,000,000 of American Telephone & Telegraph Co. bonds.

Q. Are they the same parties——

A. I beg your pardon—and Kuhn, Loeb & Co.

Q. Are they the same bankers or banking houses with which you had previously underwritten issues of the American Telephone & Telegraph Co.?

A. Exactly; and that is a complete answer to your question.

Q. You have together underwritten, I think, $150,000,000 of those bonds, have you not?

A. That is my recollection.

Q. So that the same rule of banking ethics required the same disposition of this issue as of the others?

A. I would not say it required it.

Q. It resulted in it.

A. It resulted in it, exactly.

Q. As a matter of fact, in business morals it would require it.

A. It would require it if everything was properly and satisfactorily handled, and there were no other factors in the situation which might make it inexpedient. The situation, when a transaction comes up, always governs.

Mr. Schiff was more guarded in his statement of the practice (R., 1666, 1668, 1669):

Q. And you would not, for instance, if you knew the Southern Railway was going to make an issue of securities, be willing to bid on them, would you?

A. We would not.

Q. In other words, these houses have their recognized clients, have they not?

A. To some extent.

Q. And is it not also recognized that they are their clients and that they are not to be interfered with?

A. I think that is going a bit too far, because there is very frequently interference or attempted interference.

Q. Has there ever been any interference with your exclusively handling the issues of the Union Pacific Railroad in the last 10 years?

A. I do not think so.

* * * * * * *

Q. Have you any instance in mind in which in the last five years you have invaded the field of Messrs. Morgan & Co. or they have invaded yours?

A. I have not.

Q. Or have you in mind any instance in which you have invaded the field of the National City Bank or the First National Bank, or in which they have invaded yours?

A. As to the First National Bank, I know we have not. As to the National City Bank I can not say for certain. I think they would do business to a certain extent even where we are considered the agents, and we would do certain business where they are considered the agents; not to a large extent.

Q. Is not that where the corporation is a customer of both of you? Is not that the only case in which the corporation is claimed to be or regarded as a customer of both of you or either of you?

A. It is in cases where a corporation is regarded as a customer of neither.

Q. That is, in a case in which the field happens to be open?

A. Yes.

This custom, by whatever name it be called, and the practice of these great banking houses which it supplements of purchasing security issues in concert and not independently can not have any other effect than the suppression of competition in the purchasing of such securities, and the creation of a combination or community

of in erest which may grant or withhold credit as it wills and whose term borrowing corporations must accept.

Undue concentration admitted.—Mr. Reynolds, president of the Continental & Commercial National Bank of Chicago, was outspoken in the view that concentration of control of banking resources has already gone so far as to be a menace to the country (R., 1654, 1655):

Q. I suppose, Mr. Reynolds that as president of a great bank you have kept in touch with the very recent trend toward concentration and control of money and credit in the East?
A. Yes, sir; I have been constantly reminded of it in the last year or so
Q. You know the extent to which it has gone in the last few years?
A. I have a general knowledge of it; yes, sir.
Q. Do you or not know the effect that has on the marketing of securities of a great railroad and other interstate corporations, and the trend of concentration brought about through the concentration of this money and credit?
A. I have read all that has been adduced at this examination, and a great many other things, and my information in detail is very largely the result of this reading, rather than from personal experience.
Q. But you have information and knowledge of the conditions in New York, for instance, as between the great banking houses. That is a matter of personal knowledge?
A. Yes; I have a fairly general knowledge of that, I should say.
Q. What would you say as to that concentration of the control of money and credit being a menace to the country?
A. That involves a very deep question. Personally I am inclined to believe that an excess of power of any kind in the hands of a few men might properly be called a menace. I do not mean to say by that that the people who had that control and power have used it improperly. I do not mean to say that at all.
Q. Regardless of the way they have used it for the time being, the question is, is it not, as to the way they can use it?
A. I think a more wide distribution of the power of credit, if that is what you mean, would really be better in the long run.
Q. Taking the present situation as you find it, Mr. Reynolds, what is your judgment as to whether that situation is a menace?
A. I am inclined to think that the concentration, having gone to the extent it has, does constitute a menace. I wish again, however, to qualify that by saying that I do not mean to sit in judgment upon anybody who controls that, because I do not pretend to know whether they have used it fairly or honestly or otherwise.

Mr. Schiff also conceded rapid concentration of cor trol of banking resources in New York ir recent years, but he stated that it caused him no anxiety so far as the well-being of his own firm was concerned, as they were well able to take care of themselves. We quote (R., 1686–1687, 1688):

Q. Have you been an interested observer of the concentration and control of money and credit in New York in the last few years?
A. I have.
Q. You have seen it grow very rapidly, have you not?
A. Yes.
Q. And you have seen it drift into fewer and fewer hands, have you not?
A. It has drifted into fewer and fewer corporations.
Q. And the concentration and control of those corporations has drifted into fewer hands, has it not?
A. I am not sure that it has done that.
Q. Do you know anything about it?
A. Well, I think the stockholding in different——
Q. I say, do you know anything about it?
A. Not very closely.
Q. You have not watched it very closely?
A. I think stockholdings in most New York corporations are very well divided.
Q. We are not talking about stockholdings, but about practical control of management as distinguished from stockholding. You see the difference?
A. I see the difference.
Q. It is a very substantial difference, is it not?
A. Yes, sir

Q. Now, confining yourself to the question of actual practical control of the management of these great moneyed corporations, you have observed, have you not, a growing concentration of control?
A. I have.
Q. And has it been a subject of concern to you?
A. No; it has not.

* * * * * * *

Q. You have been an interested onlooker in this concentration?
A. An observer; yes.
Q. And you have understood the possibility of its affecting you and your own sources of credit, have you not?
A. I have not been concerned in that.
Q. You do not require credit, then?
A. No.
Q. But you have considered its effect upon the small banking houses, not so fortunately situated as you, that do require credit?
A. Yes.
Q. Have you considered it?
A. Yes.
Q. And have you considered its effect on the ability of the smaller houses to grow and become great issuing houses?
A. Yes.

Finally, Mr. Baker, who is outranked only by Mr. Morgan, if at all, as a factor in the concentration of control of banking resources and credit into fewer and fewer hands in New York, frankly admitted that in his judgment the movement had gone far enough; that even if it stopped where it is the peril would be great if ambitious and not overscrupulous men should get into the places of power which have been created; and that therefore the safety of the existing system lies in the personnel of the men now in control. We quote from his illuminating testimony (R., 1567, 1568):

Q. I suppose you would see no harm, would you, in having the control of credit, as represented by the control of banks and trust companies, still further concentrated? Do you think that would be dangerous?
A. I think it has gone about far enough.
Q. You think it would be dangerous to go further?
A. It might not be dangerous, but still it has gone about far enough. In good hands, I do not see that it would do any harm. If it got into bad hands, it would be very bad.
Q. If it got into bad hands, it would wreck the country?
A. Yes; but I do not believe it could get into bad hands.
Q. You admit that if this concentration, to the point to which it has gone, were by any action to get into bad hands, it would wreck the country?
A. I can not imagine such a condition.
Q. I thought you said so.
A. I said it could be bad, but I do not think it would wreck the country. I do not think bad hands could manage it. They could not retain the deposits nor the securities.
Q. I am not speaking of incompetent hands. We are speaking of this concentration which has come about and the power that it brings with it getting into the hands of very ambitious men, perhaps not overscrupulous. You see a peril in that, do you not?
A. Yes.
Q. So that the safety, if you think there is safety in the situation, really lies in the personnel of the men?
A. Very much.
Q. Do you think that is a comfortable situation for a great country to be in?
A. Not entirely.

PART III.—CONCLUSIONS AND RECOMMENDATIONS.

Chapter First.—As Regards Clearing-House Associations.

SECTION 1.—INCORPORATION AND REGULATION.

National banks should not be permitted to be members of clearing-house associations which are not bodies corporate of the several States in which they are located.

These associations sustain so vital and delicate a relation to the financial arrangements of the country, especially to the national banking system, that their supervision and regulation in the interest of the public are essential. The service they perform is so nearly indispensable to the banks and trust companies themselves that every such institution which is solvent and properly managed should enjoy and be able to enforce the right to become and remain a member.

These two ends can not be accomplished so long as the associations remain mere voluntary organizations, possessing practically unlimited discretion in the regulation of their membership and affairs.

On the other hand, if the associations were required to be bodies corporate, the lawmaking power, as a condition of their creation, could exact and exercise complete and summary supervision over them; and any bank or trust company applying for or seeking to retain membership could have its right thereto reviewed by the courts.

Nearly all the bankers called by the committee seem to agree to the wisdom of incorporating and regulating clearing-house associations. (Cannon, R., 225, 226; Reynolds, R., 1654; Schiff, R., 1690; Sherer, R., 164, 166; Knox, R., 550; Frew, R., 594-596.)

Mr. Cannon, president of the Fourth National Bank of New York, said (R., 225, 226):

Q. You believe it [referring to the clearing-house association] ought to be incorporated, do you not?

A. I believe it ought to be incorporated, and I believe it is responsible to law.

Mr. Frew, president of the Corn Exchange Bank of New York and chairman of the clearing-house committee of the New York association said (R., 594):

Q. You have no objection to the incorporation of the clearing-house association, have you?

A. Under certain conditions, no.

Mr. Reynolds, president of the Continental & Commercial National Bank of Chicago, said (R., 1654):

Q. I forgot to ask you whether you did or did not approve of the incorporation of the clearing house and its subjection to direction and control.

A. I would approve of it, yes, sir; if some law can be passed through which it can be incorporated without interfering with the free and automatic conduct of the business. I suppose that would follow, as a matter of fact, if it were incorporated.

Mr. Jacob H. Schiff testified (R., 1690):

Q. In your opinion, should it (the clearing house) be incorporated and made subject to legal control?

A. I think it would be better if the clearing house were incorporated.

There is likewise a preponderance of opinion favorable to the governmental review of the acts of clearing-house associations on the admission or expulsion of members.

Mr. Sherer, manager of the New York association, said (R., 164, 166):

Q. Do you not think that the law ought to be amended as affecting an interstate institution like the clearing-house association so that the courts can review the action of the committee in refusing a man the right to remain in the clearing house when the ownership of the bank changes or put him out on account of the change of ownership?

A. Oh, yes; because whenever there is a wrong there should be a way to correct it.

Q. So there you agree with us?

A. Yes.

* * * * * * *

Q. But as against that if some day the clearing-house committee took it into its head that they did not think he was a proper member they could end him, could they not?

A. Yes; they could take away any bank's privileges.

* * * * * * *

Q. I am not speaking of any power of the Comptroller of the Currency or a case where a bank is closed by Federal authority or State authority; I am speaking of the exercise of the power of the clearing-house association to stop a member bank clearing for a nonmember having the effect of closing that nonmember bank without Federal or State authority.

A. Are they responsible for the effect?

Q. Do you not think that is too great a power without judicial review? Frankly, please tell us what you think.

A. No; not as it affects us.

Q. Very well, then; if you think it is not, I am surprised. Why should not such a power be subject to judicial review?

A. I agree with you to an extent, but its application, through this instrument here, is not as bad as you infer.

Q. Not as bad as it looks?

A. No.

Q. It looks pretty bad, does it not?

A. Yes. It has always been administered with care.

Q. I am not talking about the administration; I am talking about the law of the association. You admit that power ought to be subject to judicial review, do you not?

A. Yes.

Mr. Cannon said (R., 226, 227):

Q. And you are also in favor of its being regulated by law (referring to the clearing house)?

A. Sure.

Q. But you are in favor of every applicant who subscribes to certain conditions having the right of membership?

A. That is covered.

Mr. Knox, vice president of the Mellon National Bank of Pittsburgh, testified (R., 550):

Q. Let us suppose that the banking authorities would have to concur before they were allowed to close up a bank by suspending its clearances; that would be a remedy, would it not?

A. Do you mean the national banking authorities?

Q. Where it is a national bank, we will say the national banking authorities; where it is a State bank suppose we say the State banking authorities. If their concurrence had to be obtained that would furnish a protection, would it not?

A. Yes; certainly.
Q. That would be a wholesome thing, would it not?
A. Probably it would.

Mr. Frew testified (R., 594, 595, 596):

Q. And you would see no objection, would you, to requiring the approval of the State banking department as to a State bank, or of the Comptroller of the Currency as to a national bank, before closing a bank—expelling it?
A. Not in the least.
Q. You would not see any objection to it?
A. No, sir.

* * * * * * *

Q. Do you not think that authority ought to rest somewhere, either in the courts or in the banking department or somewhere, to review their action in refusing admission to a bank?
A. I do not see the necessity, but I have no objection to it.

SECTION 2.—ADMISSION OF THE SMALLER BANKS TO MEMBERSHIP.

The smaller banks, if sound and well managed, should not be excluded from membership by prescribing a certain minimum capital stock as one of the qualifications of members.

Where this requirement exists, as in the New York Association, a small bank can only enjoy the nearly indispensable facilities of the clearing house by clearing through the agency of a member bank, which may at any time summarily and arbitrarily terminate its agency, with the almost certain result, as the testimony shows, that its action will be construed by the public as reflecting on the integrity of the nonmember bank, thereby causing a run on it and the consequent closing of its doors. Under such conditions the small banks are at the mercy of the larger ones which act as their clearing agents.

They are also subject to all the rules and regulations of the association and have no voice or representation in its management. No reason for such unjust discrimination has been suggested.

This unhealthy condition would be corrected if sound small banks were admitted to the clearing-house association on equal terms with their more powerful competitors. This is the case in Chicago, and, as remarked above, the chairman of the clearing-house committee of the New York association is also of the opinion that—

It would be a very much better thing to have every bank that is well managed in the clearing house. (Frew, R., 634.)

SECTION 3.—EXAMINATION OF MEMBERS.

The system recently inaugurated of regular, periodical examinations of members under direction of a committee of the association itself, now in vogue, notably in New York and Chicago, while praiseworthy in purpose, is fraught with danger, since it makes it possible for the few members who constitute the governing committee to gain an intimate knowledge of the business and affairs of their competitors, destroys the independence of the smaller banks, and places the private affairs of our merchants and other borrowers generally at the mercy of those in control of the association. Incidentally it is a serious

indictment of both our national and State systems of governmental inspection.

In place of these examinations it is recommended that those by the public authorities be made comprehensive and thorough so as to leave no necessity for any supplemental examinations. This of course will make necessary a substantial increase in the examining force of the Comptroller of the Currency.

From all accounts this is sadly needed. The present examinations are admittedly superficial and not sufficiently frequent to constitute a protection to the community. It is evident from Mr. Murray's testimony that owing to the insufficiency of the staff the authorities are growing to rely more and more upon the elaborate staffs of the associations.

This should not be permitted to continue. If the banks are able voluntarily to enforce upon one another and can wisely afford to pay for these thorough and frequent investigations there is no reason why they should not make the same payment for the official examinations, equally elaborate and frequent, and free from opportunities for favoritism and injustice. Competitors should not be permitted to sit in judgment upon one another in matters of public concern.

It is accordingly proposed to provide for this expense of examination, as prescribed by the accompanying bill, by having the association designate the number of additional examiners that it desires for the national banks and to pay the cost of such service. This would not increase their existing burden. It would merely transfer these examinations from the jurisdiction of the association to that of the comptroller and restore to each bank its independence of central authority as regards the private affairs of its customers.

SECTION 4.—ISSUANCE OF CLEARING-HOUSE CERTIFICATES.

Until other measures of relief are provided by Congress, clearing-house associations should be permitted to issue certificates on the security of their members' assets for circulation amongst members to pay balances owing to each other at the clearing house, but only on condition that both the issuance and retirement of such certificates shall be under governmental control, as is now temporarily provided by the emergency currency act of May 30, 1908, which expires in 1914.

The purpose of the issuance of such certificates is to afford relief to solvent banks in times of stress and panic, when currency has gone into hiding. Under the system of government prevailing amongst clearing-house associations a small committee—the regular clearing-house committee or a special loan committee or both together—determine to whom the certificates shall be issued and when they shall be retired. Since at such a time whether a bank can obtain certificates or must retire those already obtained is for it a matter of life and death, this arrangement puts in the hands of the few banks—usually the greater ones—represented on these committees a dangerous power over their weaker competitors. We do not say that such power has been corruptly exercised, but there is a decided preponderance of evidence that it has been at least mistakenly exercised

with disastrous consequences. The objection would be removed if the decisions of the committee were reviewable by the Comptroller of the Currency in cases affecting national banks and by the several State banking departments in cases affecting State banks and trust companies.

SECTION 5.—REGULATING RATES FOR COLLECTING OUT-OF-TOWN CHECKS.

The practice now so general amongst clearing-house associations of compelling members, upon pain of expulsion, to charge prescribed rates for collecting out-of-town checks suppresses competition in a very important commercial service and is a clear usurpation of power vested by law in the officers and directors of the respective member banks, since, as we have seen, these associations perform no function whatever in connection with such collection.

Before the adoption of such a rule the members of the association were competing in the collection of out-of-town checks, with consequent varying charges, or no charge at all in many instances, use of the customer's money being deemed adequate compensation for the collection service. (Cannon, R., 219, 222; Hepburn, R., 306; Frew, R., 622.)

The effect of the rule is completely to destroy such competition, as was admitted:

Q. I am not sure that I asked you this morning what, in your judgment, would be the effect of the abrogation of this clearing-house rule that compels every member of the clearing-house association to charge this minimum rate of collection, and the giving permission to each bank to deal with its own customers as it saw fit.

A. It would introduce more or less confusion in the handling of the items.

Q. It would introduce competition between the banks, would it not?

A. Yes.

Q. And the introduction of competition between the banks would mean, would it not, better terms for the customers?

A. Well, it is fair to assume that competition would tend that way. (Hepburn, R., 309, 310.)

Q. And the clearing-house association by this arrangement stopped that competition, did it not?

A. It stopped that element of that competition which they considered ruinous.

Q. To what bank had it ever been ruinous? They had all been making money, had they not?

A. Yes, sir.

Q. It was not ruinous to your bank, was it?

A. No.

Q. You mean that it was ruinous in the sense that you would have an expense in the business that you could avoid?

A. That is it. (Frew, R., 622–623.)

In a recent case, International Text Book Co. *v.* Pigg (217 U. S., 91), the Supreme Court held that a school systematically instructing students in different States by correspondence is engaged in interstate commerce. The basis of the decision was the principle announced by Chief Justice Marshall in Gibbons *v.* Ogden (9 Wheat., 1, 18), that whilst "commerce, undoubtedly, is traffic * * * it is something more; it is *intercourse*." If the business of a correspondence school is commercial intercourse, for greater reason must the business of collecting bank checks be of that character.

If, then, the collection by a bank in one State of checks drawn on banks of a different State shall be deemed an operation of interstate commerce, a combination amongst the banks so engaged, with the purpose and effect of suppressing competition and enforcing a uniform rate for their service, restrains interstate commerce within the settled meaning of the act of July 2, 1890. (Addyston Pipe Co. *v.* United States, 175 U. S., 211; Swift & Co. *v.* United States, 196 U. S., 375; Northern Securities Co. *v.* United States, 193 U. S., 197; Dr. Miles Medical Co. *v.* Park & Sons Co., 220 U. S., 373; Standard Oil Co. *v.* United States, 221 U. S., 1; United States *v.* American Tobacco Co., 221 U. S., 106; United States *v.* Terminal Railroad Assn., 224 U. S., 383.)

Again, any agreement or compact by which a corporation attempts to transfer the management and control of its business in an essential particular from its own officers, directors, and stockholders to an outside body, is in excess of its powers and contrary to law, and subjects its charter to forfeiture if the result produced tends to the public injury. (People *v.* North River Sugar Refining Co., 121 N. Y., 582; State *v.* Standard Oil Co., 49 Ohio St., 185; Union National Bank *v.* Hill, 148 Mo., 380; 49 S. W., 1012; Morse on Banks, 3d ed., sec. 116.) The basis of this rule is that the law creating the corporation having provided a body to manage its business, none other may be substituted by private arrangement.

The law requires that a corporation should be controlled and managed by its directors in the interests of its own stockholders, and conformable to the purpose for which it was created by the laws of its State. (State *v.* Standard Oil Co., supra.)

This principle is especially applicable to corporations performing the delicate and public function of banking.

Within reasonable and moderate limits, so narrow that their general supervision must practically cover all which their delegates can do within these limits, they (bank directors) may confer powers by general resolution which may be valid for an indefinite period and for any number of separate transactions. But authority so large as to transfer in an important degree the control of the corporate affairs they can not confer. (Morse on Banks, 3d ed., sec. 116.)

Collecting out-of-town checks is a very important part of the business of banks in every large city. In an average year the banks in the New York Clearing House Association collected out-of-town checks to the amount of $4,859,187,900. Therefore a national bank agreeing to transfer from its own officers and directors to an outside body—the clearing house—absolute power to say what, if anything, it shall charge for this important service, on the principle above stated violates its charter. The purpose and effect of such agreement being to suppress competition in a service of vast importance to commerce, it must be held injurious to the public interests, in accordance with the settled policy of the country as regards agreements to suppress competition; and therefore the charter of the bank may be forfeited.

If a national bank, without violating its charter, may delegate to an outside body power to say what it shall charge for collecting out-of-town checks, why may it not agree that such an outside body shall determine rates of interest or discount it will charge as has been done in one of the associations and attempted in others. Or what rates of interest it will allow on deposits. Or what loans and other investments it will make.

The impropriety of these practices is no plainer than the enforcement by such associations of uniform rates for collecting out-of-town checks.

That there is no distinction in principle was admitted by the president of the Pittsburgh Clearing House Association (Wardrop, R., 557):

Q. Do you see any distinction, so far as interfering with the action of the directors in managing their banks is concerned, between telling them how much they shall charge for collecting out-of-town checks and telling them how much interest they shall allow the depositors on their deposits?
A. No, sir; I do not see any difference.
Q. One is just as much an interference with the liberty of the directors and the conduct of their business as the other, is it not?
A. I think so.

The common vice of all practices of the kind is the use of the power of the clearing-house association to destroy competition amongst its members in transactions admittedly outside its province, and the enforced surrender by such members of the control of their affairs to a foreign body.

Your committee is thus of the opinion, first, that the practice in question is within the prohibitions of the antitrust act, since it suppresses competition in an interstate commercial service of great importance; secondly, that it is violative of the charter of national banks since it transfers from their own officers and directors to an outside body the power to determine their course in this important feature of their business and the result being injurious to the public interests in that as stated it suppresses competition in an important commercial service and imposes upon the merchants of the country a burden that they were not generally required to bear until the rule was enacted, the violation is of that character which justifies the forfeiture of the charter of any bank persisting in it.

It is therefore recommended that the Comptroller of the Currency give notice to all national banks which have delegated the regulation of their charges for collecting out-of-town checks to clearing-house associations, that unless they forthwith reclaim and exercise such power proceedings will be taken to forfeit their charters.

SECTION 6.—REGULATION OF RATES OF DISCOUNT AND OF INTERESTS ON DEPOSITS.

For the same reasons that they should not be permitted to regulate the charges for collecting out-of-town checks, clearing-house associations should also be prohibited from prescribing rates of interest or discount, rates of interest allowed on deposits, rates of exchange or any other regulation not appropriate to its function as an instrumentality for the collection of checks by banks of the same community one from another. Few associations have attempted regulations of this character and that they should not be permitted to do so was the practically unanimous judgment of the bankers who testified. (Sherer, R., 158; Cannon, R., 218; Vanderlip, R., 278; Frew, R., 628.)

The accompanying bill to amend the national banking law embodies among other things the legislation recommended by your committee on this subject.

Chapter Second.—As Regards Stock Exchanges.

SECTION 1.—NEED OF GOVERNMENTAL REGULATION.

The stock exchanges in our principal cities, and especially those in New York, Chicago, Philadelphia, Pittsburgh, and Boston, are essential instrumentalities in the conduct of modern business and finance. Their local habitation has little relation to their sphere of usefulness or to their capacity for evil if permitted to be utilized for illegitimate ends. The main inquiry on this subject has been into the operations of the New York Stock Exchange, which are probably greater in volume of transactions than all the others combined, but the conclusions reached as to that apply also to the others.

The contention of the New York Stock Exchange that it is not engaged in business and that its sole function is to supply a meeting place where its members may deal with one another under prescribed rules is not borne out by the facts, as hereinabove stated.

It is the market place of the entire country and of foreign countries for securities and the only public market in the United States where money is loaned and borrowed.

The business transacted by its members comes to them from almost every corner of the civilized world. Its hall mark as to the genuineness of a certificate of interest in a corporation passes current everywhere and is rightly supervised with jealous care and at considerable expense to the corporations concerned.

It undertakes to prescribe the form and conditions of every corporate security in which it authorizes dealings and its determination is final through its control over the listing of such securities. It reserves the right to exact minutest details of the business and affairs of the issuing corporation, to impose its will in the matter of the procedure by which such corporation shall declare and pay interest and dividends, and in the matter of the transfer agents and registrar, and as regards endless other details; all this very properly on the ground that it is performing a national public function.

It jealously controls the reports as to every transaction on its floor, issues and distributes the records of every purchase and sale, or offer of purchase and sale, which it thereby impliedly represents as an honest and genuine transaction. Courts of justice, trustees, financial institutions, and the public the world over act on this information. It exacts compensation for the service of listing securities, sells its quotations to interstate and international telegraph companies for large sums of money and scatters them broadcast over the country through the newspapers, over the telephone and telegraph, but always under its control.

Great and much-needed reforms in the organization and methods of our corporations may be legitimately worked out through the power wielded by the stock exchange over the listing of securities.

Much of the confusion and many of the defects in corporate regulation due to the diversity of State laws and to the bidding of the States against one another in laxity of administration in order to attract corporations within their borders may be corrected and uniformity of methods introduced through the listing department of the exchange.

Thus complete publicity as to all the affairs of a corporation may be uniformly enforced. The scandalous practices of officers and directors in speculating upon inside and advance information as to the action of their corporations may be curtailed if not stopped. In short, its opportunities as an agency of corporate reform are almost endless, provided its own practices can be reformed so as to entitle it to exercise these broad powers. Instead of the investment business of the country abandoning the exchange, as is now and has been to some extent the case for some time past, it will become necessary to the reputation and salability of a security that it should be listed. The general public, which has grown to look upon the exchange with distrust because of the practices that have been permitted, will be given new confidence in it when it is under legal supervision.

Notwithstanding these facts it contends that it should be permitted to continue its voluntary organization with the privileges and freedom of action of a private club and should not be made subject to legislative or judicial control or supervision, and that it is not amenable to Federal regulation in its use of the mails and of the telegraph and telephone in interstate commerce and in the dealings of its members with foreign countries.

To this contention your committee is unable to agree. It is incongruous that such an institution wielding such power and equipped to perform such useful and important functions in our economic system should be uncontrolled by law.

On the other hand, your committee believes that incorporation and regulation would banish from the exchange transactions which now disgrace it, bringing in their place a greater volume of business of an investment and otherwise legitimate character, and marking the dawn of a new era of prosperity for its members and of usefulness to the public.

SECTION 2.—PROVINCE OF FEDERAL GOVERNMENT.

It is doubtful, however, whether the Federal Government has power generally to regulate stock exchanges. We therefore advise no action by Congress to correct such local abuses in the operations of the New York Stock Exchange as its effort to drive rival exchanges in the city of New York out of business by the methods disclosed, and its refusal to list securities unless engraved by a concern approved by the exchange, though the last might be reached as an attempt to monopolize the business of engraving securities. Nor do we advise any action by Congress in reference to the exchange's rules regulating commissions and limiting the membership, these also being of local effect.

As regards the rates of commission enforced by the exchange your committee believes the present rates to be reasonable, except as to stocks, say, of $25 or less in value, and that the exchange should be protected in this respect by the law under which it shall be incorporated against a kind of competition between members that would lower the service and threaten the responsibility of members. A

very low or competitive commission rate would also promote speculation and destroy the value of membership.

For the same reasons we are of opinion the existing limitation of membership should not be disturbed at this time.

But whether stock exchanges in their wholly local and internal relations may be regulated by Congress or not, where they lend their facilities for transactions injurious to the public interests at large, Congress may prevent any instrumentality under its control from being used to multiply and spread such transactions; and it is its obvious duty to do so.

It has appeared that sales of stocks on the New York Stock Exchange average $15,500,000,000 annually; that but a small part of these transactions is of an investment character; that whilst another part represents wholesome speculation, a far greater part represents speculation indistinguishable in effect from wagering and more hurtful than lotteries or gambling at the race track or the roulette table because practiced on a vastly wider scale and withdrawing from productive industry vastly more capital; that as an adjunct of such speculation quotations of securities are manipulated without regard to real values and false appearances of demand or supply are created, and this not only without hindrance from but with the approval of the authorities of the exchange, provided only the transactions are not purely fictitious.

In other words, the facilities of the New York Stock Exchange are employed largely for transactions producing moral and economic waste and corruption; and it is fair to assume that in lesser and varying degree this is true or may come to be true of other institutions throughout the country similarly organized and conducted.

Your committee believes, therefore, that Congress has power unconditionally to prohibit the mails, the interstate telegraph and telephone, the national banks, and all other instrumentalities under its control, from being used in executing, negotiating, promoting, increasing or otherwise aiding transactions on such stock exchanges.

SECTION 3.—CONDITIONS REQUIRED TO BE MET.

Your committee, however, is of opinion that to a great extent the objectionable features of operations on stock exchanges would be eliminated if the following conditions were met:

(*a*) *Incorporation.*—If such exchanges were to become bodies corporate of the States or Territories in which they are respectively located.

Whilst, of course, they can not now do anything contrary to law, nevertheless the State can not exercise in their case that comprehensive control and close and summary supervision which it may exact of corporate bodies as a condition of permitting them to exist at all. If such exchanges were required to incorporate, the State could write into their charters provisions calculated to restrict them to legitimate purposes and suppress the abuses described; and by a system of examinations and penalties could enforce such provisions.

The principal objection urged by the exchange against incorporation is that it will interfere with its power of discipline over its members and thus lower the standard that has been reached and that can

only be maintained by an unquestioned final authority. Not wishing to criticize harshly, we are yet bound to say that we do not consider the standard attained by the exchange under freedom from governmental supervision to be of such character as to constitute a valid reason against such supervision.

But aside from that, no reason is perceived why any such result as suggested should follow from giving to an accused member whose reputation and entire business career and means of livelihood depend on the action of his comembers and competitors the manifest measure of justice of a review by an impartial authority. There is no danger that the courts will deal less severely or less effectually than has the exchange with the frauds practiced upon the public which it is the purpose of incorporation and regulation to prevent and punish. That would be difficult. Nor are they likely to regard manipulation with any less disfavor.

(*b*) *Publicity of affairs of corporations.*—If such exchanges required corporations whose securities are listed by them to file before the listing and thereafter at regular intervals, for public inspection, a verified statement showing item by item their assets and liabilities and income and expenses, and for what their capital stock has been issued, stating how much for property and other considerations, with a description of such property and considerations and a statement of any commissions paid to promoters, brokers, middlemen, or vendors; a verified copy or statement of any contract, whether in writing or parol, in any manner affecting the issue sought to be listed or relating to any interest therein of promoters, bankers, middlemen, or vendors; and a verified statement of any transactions, direct or indirect, between such corporations and their officers and directors.

By such publicity misrepresentations of the value of securities and speculation promoted by intimations of "hidden assets" would be rendered more difficult, if not impossible.

(*c*) *Margin of 20 per cent.*—If they required that no orders to purchase the stock of any corporation shall be executed without a partial payment of not less than 20 per cent of the price agreed to be paid therefor.

Such a requirement would obviously curb speculation; the smaller the margin required the larger the number of shares that a given sum can purchase.

(*d*) *Manipulation.*—If they prohibited so far as possible the execution of simultaneous or substantially simultaneous orders proceeding from the same person or persons to buy and sell the same security for the purpose of creating an appearance of activity therein, and any orders the purpose of which is to inflate or depress the price of any security.

Such a regulation, effectively enforced, would go far toward abolishing the processes of manipulation.

(*e*) *Rehypothecation of securities.*—If they effectively prohibited members from pledging or hypothecating securities purchased and carried for the account of a customer for an amount greater than the unpaid portion of the purchase price, whether with or without the consent of such customer.

Without consent, such practice is misappropriation, and in any case, as we have seen, it seriously endangers the safety of the customer's securities, making redemption in the event of the broker's

failure possible only, if at all, by payment of the full amount borrowed by the broker.

This injurious result might be avoided if the broker were required to state on the loan envelope opposite each item of collateral the amount owing to him thereon, and were prohibited by law from borrowing and the banks from lending any larger amount. The only important objection that a governor of the stock exchange was able to offer to a reform so manifestly demanded in the interest of honest business dealing was that it would require brokers to double their clerical forces. (Sturgis, R. 800–801.)

Members have recently sought to destroy the force of this criticism by printing upon their statements or requiring the customer to subscribe a consent to this use of his securities. (Wollman, R., 1786, 1787.) Your committee is of opinion that the exchange should prohibit its members from making such stipulations and arrangements. They tend to increase speculation, and there is no reason why a broker should enforce from his customer the right to do business with the customer's capital. Every just interest is served by permitting the broker to borrow to the full extent of the sum owing him by his customer.

(*f*) *Lending customers' securities.*—If they effectively prohibited one member from lending to another securities carried by the former for customers, whether with or without such customer's consent.

This practice likewise endangers the customer's securities.

Furthermore, it facilitates short selling, and whilst we do not think that speculation for the fall any more than for the rise should be prohibited altogether, yet devices especially designed to promote either should not be permitted, since the evil in all speculation is the abuse of it by carrying it beyond natural bounds.

(*g*) *Admissions to and removals from list.*—If their charters stated the conditions on which issues of securities shall be admitted to or removed from the trading list and provided that in every case their action in this regard shall be subject to judicial review at the suit of the issuing corporation or any owner of the securities.

This would prevent the use of the valuable privilege of "listing" as a club to coerce holders into selling their securities and otherwise to manipulate the market. It would also prevent the manifest injustice to investors of depriving them of their market and destroying the availability of their security for loans, which existed when they bought.

The rule authorizing the removal of a stock from the list is defended on the ground that where all but a small proportion of an issue is held in a single control it is easier to manipulate the price of it and create a corner in it. This contention when analyzed amounts to the assertion that an investor who bought his stock relying upon its being a listed security must be penalized in order to protect a speculator who may sell stock that he does not own and is unable to buy it to make delivery. No one who owns what he is selling is in danger of a "corner."

On the other hand, as we have seen, the exercise of this power to strike a stock from the list is fraught with the most serious consequences to investment holders of securities, and its abuse in the interest of powerful financial groups is an easy matter. Its exercise may be made to operate as a distinct fraud upon the innocent investor.

(*h*) *Books of account.*—If such exchanges required members to keep full and accurate books of account, showing the actual names and transactions of their customers and to give access thereto not only to officers of the exchange but to the appropriate State officers and the Postmaster General.

Such a regulation would facilitate the detection of the objectionable practices sought to be eradicated. It is the only way in which detection can be assured.

Your committee therefore recommends that the use of the instrumentalities under the control of the Federal Government in aid of transactions on stock exchanges be prohibited by act of Congress only where such exchanges refuse to comply with the foregoing conditions.

More specifically, such legislation should prohibit the transmission by the mails or by telegraph or telephone from one State to another of orders to buy or sell or quotations or other information concerning transactions on stock exchanges not complying with the conditions named.

A bill embodying these recommendations accompanies this report.

SECTION 4.—POWER OF CONGRESS TO DENY USE OF MAILS AND TELEGRAPH.

Since the power of Congress to enact such prohibitions may be questioned, your committee feels called upon to discuss that question. The cognate questions whether Congress might not prohibit national banks from buying or selling or lending upon the security of stocks and bonds listed on stock exchanges not complying with the conditions named, or might not impose a tax upon transactions on such stock exchanges, will also be discussed, though such a prohibion or tax is not now recommended.

1. *Congress may prohibit the transmission through the mails of orders to buy or sell or quotations or other information concerning transactions on stock exchanges which permit the use of their facilities for gambling and other purposes detrimental to the public interests.*

In Matter of Jackson (96 U. S., 727), sustaining the constitutionality of an act of Congress barring from the mails any "letter or circular concerning lotteries, so-called gift concerts," etc., the Supreme Court declared that the power "To establish post offices and post roads" conferred upon Congress by the Constitution—

> "embraces the regulation of the entire postal system of the country. The right to designate what shall be carried necessarily involves the right to determine what shall be excluded" (p. 732)—

and that under this power Congress may withhold the use of the mails for purposes "supposed to have a demoralizing influence upon the people" (p. 736).

In Ex parte Rapier (143 U. S., 110) reconsideration of this decision was asked on the ground that the avowed purpose of the act was to suppress lotteries, gift enterprises, etc., and that since Congress is without power to regulate or prohibit such enterprises it was unconstitutional to accomplish their suppression indirectly by denying them the facilities of the mails—that the power to establish and maintain a

postal system could not be employed to regulate a subject not within the powers of Congress. But the Supreme Court adhered to its decision in the earlier case, saying (pp. 133-135):

> It was held that the power vested in Congress to establish post offices and post roads embraced the regulation of the entire postal system of the country, and that under it Congress may designate what may be carried in the mail and what excluded; that in excluding various articles from the mails the object of Congress is not to interfere with the freedom of the press or with any other rights of the people, but to refuse the facilities for the distribution of matter *deemed injurious by Congress* to the public morals;
>
> * * * * * *
>
> The States before the Union was formed could establish post offices and post roads and in doing so could bring into play the police power in the protection of their citizens from the use of the means so provided for purposes supposed to exert a demoralizing influence upon the people. When the power to establish post offices and post roads was surrendered to the Congress it was as a complete power, and the grant carried with it the right to exercise all the powers which made that power effective. * * *
>
> The argument that there is a distinction between *mala prohibita* and *mala in se*, and that Congress might forbid the use of the mails in promotion of such acts as are universally regarded as *mala in se*, including all such crimes as murder, arson, burglary, etc., and the offense of circulating obscene books and papers, but can not do so in respect of other matters which it might regard as criminal or immoral, but which it has no power itself to prohibit, involves a concession which is fatal to the contention of petitioners, since it would be for Congress to determine what are within and what without the rule; but we think there is no room for such a distinction here, and that *it must be left to Congress in the exercise of a sound discretion* to determine in what manner it will exercise the power it undoubtedly possesses. * * * The circulation of newspapers is not prohibited, but the *Government declines itself to become an agent* in the circulation of printed matter which it regards as injurious to the people. (Italics ours.)

In Public Clearing House *v.* Coyne (194 U. S., 497) the Supreme Court, reaffirming Matter of Jackson and Ex parte Rapier, supra, declared that "the postal service is by no means an indispensable adjunct to a civil government, but is a public function, assumed and established by Congress for the general welfare" (p. 506); that "the legislative body, in thus establishing a postal service, may annex such conditions to it as it chooses" (p. 506); and that under its power to determine what shall be excluded from the mails, Congress may "forbid the delivery of letters to such persons or corporations as, *in its judgment*, are making use of the mails for the purpose of fraud or deception or the dissemination among its citizens of information of a character calculated to debauch the public morality" (pp. 507, 508).

Whether the judgment of Congress as to what shall be excluded from the mails is subject to judicial review has not been definitely decided. In American School of Magnetic Healing *v.* McAnnulty (187 U. S., 94, 107), the Supreme Court conceded for the purposes of that case, without deciding, "that Congress has full and absolute jurisdiction over the mails, and that it may provide who may and who may not use them, and that its action is not subject to review by the courts, * * *." In Burton *v.* United States (202 U. S., 344, 371) it was observed that the exclusion must be "consistent with the rights of the people as reserved by the Constitution."

From the foregoing cases these propositions are deducible:

1. Power to establish and regulate the postal system is vested by the Constitution in Congress as completely as it was formerly possessed by the States within their respective borders, and consequently whatever regulation might be made by a State had the subject not

been transferred to the Federal Government may now be made by Congress.

2. In the exercise of this power Congress may determine what shall be carried in the mails and what excluded. It is under no duty to become an agent in the circulation of matter promoting enterprises which it regards as injurious to the people simply because it can not directly regulate or prohibit those enterprises.

3. Since the *whole* power to regulate postal affairs was transferred from the States to the Federal Government without diminution, Congress may exclude matter from the mails on any ground available to the States had they retained such power under the Constitution, whether that ground of itself is within the province of Congress or not. For example, Congress has no power to prohibit lotteries, but it may deny them the facilities of the mails with the object in view of suppressing them (Ex parte Rapier, supra). If Congress could not so exclude matter save to accomplish objects in respect of which it might legislate directly, the mails could be used without hindrance to serve improper ends. Congress could not interfere, because without power directly to prohibit those ends; while the States could not interfere, because without power to regulate the mails.

4. The power of Congress to exclude matter from the mails, being thus unaffected by the division of authority between the Federal Government and the States, is subject only to the limitation, if any, that the basis of exclusion must not be arbitrary or capricious nor discriminatory between those of the same class.

It follows that conceding the prevention of gambling and manipulation in the prices of securities to be not within the province of the Federal Government, this is no valid objection to a law excluding from the mails quotations or other information concerning transactions on stock exchanges not so organized and governed, in the opinion of Congress, as to prevent their facilities being used in aid of such gambling and manipulation.

Therefore if such a law is subject to judicial review at all, the only question is whether the judgment of Congress, that the dissemination of such information through the mails promotes objects injurious to the people, is arbitrary, capricious, and without reason. In practice it would be hard to conceive of a case where the courts, assuming they have the power, would substitute their judgment for that of Congress as to what is injurious to the people. Certainly none would gainsay that it is harmful to disseminate quotations of a stock exchange which does not prevent so far as possible the use of its facilities for gambling and to create fictitious prices. In Otis & Gassman *v.* Parker (187 U. S., 606) the Supreme Court upheld a statute avoiding all contracts for sales of corporate stock on margin, whether of a *bona fide* or gambling nature, saying (pp. 608, 609):

While the courts must exercise a judgment of their own, it by no means is true that every law is void which may seem to the judges who pass upon it excessive, unsuited to its ostensible end, or based upon conceptions of morality with which they disagree. Considerable latitude must be allowed for differences of view, as well as for possible peculiar conditions which this court can know but imperfectly, if at all. Otherwise a constitution, instead of embodying only relatively fundamental rules of right, as generally understood by all English-speaking communities, would become the partisan of a particular set of ethical or economical opinions, which by no means are held *semper ubique et ab omnibus.*

Again, in Public Clearing House *v.* Coyne (194 U. S., 497) the Postmaster General, acting under a law of Congress, was sustained in excluding from the mails matter concerning an enterprise which was not fraudulent, nor a lottery in the ordinary sense, but merely lacked the elements of a legitimate business (pp. 512–515).

Assuming it to have been established that Congress has power to exclude from the mails quotations or other information concerning transactions on stock exchanges whose facilities are used for gambling purposes or to create fictitious prices, what means may it employ to that end?

It may authorize the Postmaster General, subject to judicial review, to determine whether the objectionable practices exist as regards any exchange, and if so to exclude mail matter concerning the transactions on such exchange, in like manner as he is now authorized to exclude matter concerning enterprises found by him to be fraudulent or in the nature of lotteries. (Public Clearing House *v.* Coyne, 194 U. S., 497.)

Or, Congress may exercise the power directly by enacting that only those exchanges complying with certain prescribed conditions shall be deemed free from the objections stated and consequently at liberty to use the mails, leaving to the Postmaster General only the determination of whether such conditions have been met.

In the latter case doubtless the regulations must not be arbitrary but reasonably adapted to the end of preventing the facilities of exchanges being used for gambling purposes or to create fictitious prices. But it would be no objection that the end might be accomplished by different and less rigorous regulations or even without any at all. It would be enough if they had any real relation to the end. (M'Culloch *v.* State of Maryland, 4 Wheat., 316, 421, 423.)

The power which the legislature has to promote the general welfare is very great, and the discretion which that department of the government has, in the employment of means to that end, is very large. While both its power and its discretion must be so exercised as not to impair the fundamental rights of life, liberty, and property, * * * yet "in many cases of mere administration, the responsibility is purely political, no appeal lying except to the ultimate tribunal of the public judgment, * * *." (Powell *v.* Pennsylvania, 127 U. S., 678, 685.)

Applying this principle the Supreme Court held that it could not override the legislative judgment that the protection of the public health required not merely that the manufacture of oleomargarine be so regulated as to exclude noxious ingredients but prohibited altogether; that the legislature had this choice of means. (Powell *v.* Pennsylvania, supra, pp. 685, 686.) Similarly, in Public Clearing House *v.* Coyne (194 U. S., 497, 510), it was held that in preventing the use of the postal service in aid of lotteries and fraudulent enterprises Congress is not confined to excluding matter relating to such enterprises but may prohibit the transmission or delivery of *all* matter sent by or addressed to persons engaged therein. Again, and of special application here, it was held in Otis & Gassman *v.* Parker (187 U. S., 606, 608, 609) that in order to suppress gambling in corporate stocks the legislature may avoid all contracts for the sale of such stocks on margin whether only a settlement of price differences or a *bona fide* acquisition of the stock is contemplated.

We conclude that Congress has power to prevent the use of the mails to disseminate quotations or other information concerning

transactions on stock exchanges whose facilities are used for purposes of gambling and price manipulation, and that exercising its wide choice of means to that end, it may prohibit the transmission through the mails of any information relating to transactions on exchanges refusing submission to regulations reasonably adapted to preventing the objectionable practices.

2. *Congress, by way of regulating interstate commerce, may prohibit the transmission from State to State by telegraph or telephone of orders to buy or sell, or quotations, or other information concerning transactions on stock exchanges which permit the use of their facilities for gambling and other purposes detrimental to the public interests.*

In the language of Chief Justice Marshall and Justice Johnson in Gibbons *v.* Ogden (supra), quoted with emphatic approval in the Lottery case (188 U. S., 321, 347, 348, 353):

> The power over commerce with foreign nations and among the several States is vested in Congress as absolutely as it would be in a single government having in its constitution the same restrictions on the exercise of the power as are found in the Constitution of the United States. (Marshall, C. J.)
>
> * * * The grant of this power carries with it the whole subject, leaving nothing for the State to act upon. (Johnson, J.)

The power to regulate interstate commerce is thus vested in Congress as completely as if that were the only lawmaking body in our governmental system; as completely as a State possesses the power to regulate commerce wholly within its own borders. Therefore, whatever regulation a State may make as regards commerce within its territory, Congress may make as regards interstate commerce.

Transportation is commerce; when from State to State it is interstate commerce (Railroad Co. *v.* Fuller, 17 Wall., 560, 568; Welton *v.* Missouri, 91 U. S., 275, 280; Mobile County *v.* Kimball, 102 U. S., 691); and this is so whether that which is transported is an article of commerce—of barter and sale—or not. Thus, the transportation of persons is as much commerce as the transportation of goods. (Passenger cases, 7 How., 283, 401; Gloucester Ferry Co. *v.* Pennsylvania, 114 U. S., 196, 203; Western Un. Tel. Co. *v.* Pendleton, 122 U. S., 347, 356; Covington, etc., Bridge Co. *v.* Kentucky, 154 U. S., 204, 218.)

Likewise the transmission from State to State by telegraph of "ideas, wishes, orders, and intelligence" is interstate commerce, whether the matter so transmitted relates to articles of commerce or not; whether it is an order for goods or an invitation to dine. (Western Un. Teleg. Co. *v.* Pendleton, 122 U. S., 347, 356.) The same must be true of the transmission of "ideas, wishes, orders, and intelligence" by telephone. (Muskogee Nat. Tel. Co. *v.* Hall, 118 Fed., 382.)

The power to regulate interstate commerce embraces the power to regulate its instrumentalities. (Welton *v.* Missouri, 91 U. S., 275, 280; Pensacola Teleg. Co. *v.* Western Un. Teleg. Co., 96 U. S., 1; Gloucester Ferry Co. *v.* Pennsylvania, 114 U. S., 196, 203.) The telegraph and, for the same reasons, the telephone are such instrumentalities. (Pensacola Teleg. Co. *v.* Western Un. Teleg. Co., 96 U. S., 1; Teleg. Co. *v.* Texas, 105 U. S., 460; Western Un. Teleg. Co *v.* Pendleton, 122 U. S., 347, 356.)

In Western Union Teleg. Co. *v.* Crovo (220 U. S., 364, 369) the Supreme Court said:

That companies engaged in the telegraph business, whose lines extend from one State to another, are engaged in interstate commerce, and that messages passing from one State to another constitute such commerce, is indisputable. Such companies and such messages come, therefore, under the regulating power of Congress.

It is thus seen that interstate telegraph and telephone lines and the transmission over them of messages between the States are under the control of Congress as absolutely as if this were a single government, subject to the guaranties of life, liberty, and property contained in the Constitution. (Lottery case, 188 U. S., 321, 353.) Manifestly, such a government would have power to prevent the telegraph and telephone being put to any use injurious to its citizens. Therefore Congress may prevent interstate telegraph and telephone lines from being used to promote ends injurious to the people of the United States. Whether it could legislate directly to prohibit those ends has nothing to do with the case.

Indeed, since in consequence of the supreme power of Congress over interstate commerce a State can not regulate the transmission of telegraphic and telephonic messages into other States (Western Union Teleg. Co. *v.* Pendleton, 122 U. S., 347), if Congress were powerless to prohibit the sending of such messages in aid of evil practices except where it may legislate directly against such practices, the result would be that interstate telegraph and telephone systems could be used without governmental hindrance to serve admitted abuses or even crimes.

The conclusion thus reached that Congress may prevent interstate telegraph and telephone lines from being used to promote ends injurious to the people at large, whether it could legislate directly to prohibit those ends or not, is sustained by the Lottery case (188 U. S., 321) upholding the constitutionality of an act whose avowed purpose was to suppress lotteries, which Congress could not directly forbid, by prohibiting the carriage of lottery tickets from one State to another; also by the decision rendered by the Supreme Court on February 24, 1913, upholding the constitutionality of the so-called white slave act.

The ground of the decision in the Lottery case was that Congress has power to prohibit the instrumentalities of interstate commerce from being used for any purpose injurious to the people. It is thus stated by the court (pp. 356–358):

* * * Why may not Congress, invested with the power to regulate commerce among the several States, provide that such commerce shall not be polluted by the carrying of lottery tickets from one State to another? In this connection it must not be forgotten that the power of Congress to regulate commerce among the States is plenary, is complete in itself, and is subject to no limitations except such as may be found in the Constitution. What provision in that instrument can be regarded as limiting the exercise of the power granted? What clause can be cited which, in any degree, countenances the suggestion that one may, of right, carry or cause to be carried from one State to another that which will harm the public morals?

* * * * * * *

As a State may, for the purpose of guarding the morals of its own people, forbid all sales of lottery tickets within its limits, so Congress, for the *purpose of guarding the people of the United States against the "widespread pestilence of lotteries"* and to protect the commerce which concerns all the States, may prohibit the carrying of lottery tickets from one State to another. * * * We should hesitate long before adjudging that an evil of such appalling character, carried on through interstate commerce, can

not be met and crushed *by the only power competent to that end.* We say competent to that end, because Congress alone has the power to occupy, by legislation, the whole field of interstate commerce. (Italics ours.)

To meet the principal objection of its dissenting members, the court undertook to show that lottery tickets are articles of commerce; but whether they are such or not could not have affected the ground of decision. For, as seen above, interstate transportation and its instrumentalities are not less within the control of Congress because that which is transported is not an article of commerce. Likewise, interstate telegraphic communication and its instrumentalities are not less within the control of Congress because the messages do not relate to commerce.

It is thus established by both reason and authority that if wagering upon and manipulating the prices of securities on the exchanges throughout the country may be deemed injurious to the people, on which point argument is unnecessary (Booth *v.* Illinois, 184 U. S., 425; Otis & Gassman *v.* Parker, 187 U. S., 606), Congress has power to prohibit the transmission from one State to another by telegraph or telephone of orders to buy or sell or quotations or other information concerning transactions on those exchanges permitting such abuse of their facilities.

What means, then, may Congress employ to that end? How may it determine what stock exchanges are free from the objectionable practices and therefore at liberty to have orders, quotations, etc., relating to transactions upon them transmitted by telegraph and telephone from one State to another?

From the earlier discussion of the power to exclude matter from the mails, it will have been seen that Congress has the widest choice of means in such cases, and that it may enact that no orders, quotations, etc., relating to transactions on exchanges not submitting to prescribed regulations reasonably adapted to preventing their facilities being used for gambling purposes or to create fictitious prices shall be transmitted by telegraph or telephone from one State to another. On this point the following passage from the opinion in the Lottery case (supra) is apposite (p. 358):

If the carrying of lottery tickets from one State to another be interstate commerce, and if Congress is of opinion that an effective regulation for the suppression of lotteries, carried on through such commerce, is to make it a criminal offense to cause lottery tickets to be carried from one State to another, we know of no authority in the courts to hold that the means thus devised are not appropriate and necessary to protect the country at large against a species of interstate commerce which, although in general use and somewhat favored in both National and State legislation in the early history of the country, has grown into disrepute, and has become offensive to the entire people of the Nation.

3. *Congress may prohibit national banks from buying, selling, or lending upon the security of stocks or bonds listed on exchanges which permit the use of their facilities for gambling and other purposes detrimental to the public interests.*

National-bank corporations are not only liable to be affected in their business, like all other enterprises, by the exercise of the powers of Congress, but in addition are subject to that full measure of control by it, both as to their internal and external affairs, which lawmaking bodies have over corporations of their own creation.

It does not appear that charters granted under the original national banking act of June 3, 1864, were subject to amendment or repeal.

They were limited, however, to 20 years (R. S., sec. 5136); and the acts of July 12, 1882, and April 12, 1902, providing for the extension of the corporate existence of national banks created under the act of June 3, 1864, enact—

That Congress may at any time amend, alter, or repeal this act and the acts of which this is amendatory. (3 Comp. Stat., 3460.)

Doubtless, therefore, the present charters of most national banks are subject to amendment, alteration, or repeal by Congress.

The extent of control over corporations created by it which Congress may exercise under the power to amend, alter, or repeal their charters is thus stated by the Supreme Court in the Sinking Fund cases (99 U. S., 700, 720, 721):

That this power has a limit, no one can doubt. All agree that it can not be used to take away property already acquired under the operation of the charter, or to deprive the corporation of the fruits actually reduced to possession of contracts lawfully made; but as was said by this court, through Mr. Justice Clifford, in Miller *v.* The State (15 Wall., 498, 21 L. ed., 104), "It may safely be affirmed that the reserve power may be exercised, and to almost any extent, to carry into effect the original purposes of the grant, or to secure the due administration of its affairs, so as to protect the rights of stockholders and of creditors, and for the proper disposition of its assets"; and again, in Holyoke Company *v.* Lyman (15 Wall., 519, 21 L. ed., 139), "To protect the rights of the public and of the corporators, or to promote the due administration of the affairs of the corporation." Mr. Justice Field, also speaking for the court, was even more explicit when, in Tomlinson *v.* Jessup (15 Wall., 459, 21 L. ed., 206), he said: "The reservation affects the entire relation between the State and the corporation, and places under legislative control all rights, privileges, and immunities derived by its charter directly from the State"; and again, as late as R. R. Co. *v.* Maine (96 U. S., 510, 24 L. ed., 840), "By the reservation * * * the State retained the power to alter it [the charter] in all particulars constituting the grant to the new company, formed under it, of corporate rights, privileges, and immunities." Mr. Justice Swayne, in Shields *v.* Ohio (95 U. S., 324, L. ed., 359), says, by way of limitation, "The alterations must be reasonable; they must be made in good faith, and be consistent with the object and scope of the act of incorporation. Sheer oppression and wrong can not be inflicted under the guise of amendment or alteration." The rules as here laid down are fully sustained by authority. Further citations are unnecessary.

Giving full effect to the principles which have thus been authoritatively stated, we think it safe to say, that whatever rules Congress might have prescribed in the original charter for the government of the corporation in the administration of its affairs, it retained the power to establish by amendment. In so doing it can not undo what has already been done, and it can not unmake contracts that have already been made, but it may provide for what shall be done in the future.

It follows that under its reserved power to amend, alter, or repeal their charters, Congress may enact that no national bank shall buy or sell or lend money on the security of stocks or bonds listed on exchanges not submitting to regulations necessary in the judgment of Congress to prevent their facilities being used for gambling purposes or to create fictitious prices.

But whether it had reserved the right to alter, amend, or repeal the charters of national banks or not, Congress could restrict or take away altogether any of their powers the continued exercise of which would be inimical to the public interests, leaving undisturbed, of course, rights of property resulting from the past exercise of such powers. (Pearsall *v.* Great Northern R. Co., 161 U. S., 646; Louisville & N. R. Co. *v.* Kentucky, 161 U. S., 677.) In the last-cited case the Supreme Court said (p. 685):

We regard the issue presented in this case as involving practically the same question. While there is no general reservation clause in the charter of the L. & N. Co., we think, for the reasons stated in the Pearsall case, that under its police power the people, in their sovereign capacity, or the legislature as their representatives, may

deal with the charter of a railway corporation, so far as is necessary for the protection of the lives, health, and safety of its passengers or the public, or for the security of property or the conservation of the public interests, provided, of course, that no vested rights are thereby impaired.

The courts would accept the judgment of Congress that it is inimical to the public interests to permit the funds of national banks to be used in buying or making loans upon stocks or bonds dealt in on exchanges on which gambling and manipulation in prices is permitted. (Powell *v.* Pennsylvania, 127 U. S., 678, 685; Otis & Gassman *v.* Parker, 187 U. S., 606.) Therefore, irrespective of any reserved power to alter, amend, or repeal the charters of national banks, Congress may enact that no such bank shall buy or sell or lend money on the security of stocks or bonds listed on exchanges not submitting to prescribed regulations reasonably adapted to preventing their facilities being used for objectionable purposes.

4. *Congress may impose a stamp tax upon sales of stocks and bonds on exchanges which permit the use of their facilities for gambling and other purposes detrimental to the public interests.*

Referring to the taxing power of Congress the Supreme Court in the License Tax cases said (5 Wall., 462, 471):

It is true that the power of Congress to tax is a very extensive power. It is given in the Constitution, with only one exception and only two qualifications. Congress can not tax exports, and it must impose direct taxes by the rule of apportionment, and indirect taxes by the rule of uniformity. Thus limited, and thus only, it reaches every subject, and may be exercised at discretion.

This conception of the power has been repeatedly reaffirmed. (Pacific Ins. Co. *v.* Soule, 7 Wall., 433; Austin *v.* Boston, 7 Wall., 694, 699; Knowlton *v.* Moore, 178 U. S. 41, 58; McCray *v.* United States, 195 U. S., 27, 56).

The motive or purpose of Congress in imposing a tax can not be inquired into. (Treat *v.* White, 181 U. S., 264, 269; McCray *v.* United States, 195 U. S., 27, 59.)

A stamp tax on sales of corporate stocks and bonds is not a direct tax on property but a duty, impost, or excise, and therefore may be levied by Congress without apportionment according to the census. (Thomas *v.* United States, 192 U. S., 363.)

The only question here therefore is whether, consistently with the requirement of uniformity, Congress may select for taxation sales of corporate stocks on exchanges permitting the use of their facilities for gambling and manipulation in prices, leaving all other such sales unburdened?

It is now settled that the provision of the Constitution that "duties, imposts, and excises shall be uniform throughout the United States," refers to geographical uniformity and is satisfied if the same subject is taxed everywhere throughout the United States and at the same rate and does not require that the tax shall operate precisely in the same manner upon all individuals. (Knowlton *v.* Moore, 178 U. S., 41, 84, 106.)

Applying this doctrine, it was held that in taxing the transmission of property by will Congress may classify the subject according to the degree of blood relationship between the taker and the deceased and impose a different tax in each class, the rate increasing as the relationship grows more distant. And if it could impose a less rate

in one class than in another, for the same reason it could exempt some classes altogether. (Knowlton *v.* Moore, supra.)

Similarly, in McCray *v.* United States (195 U. S., 27) an act of Congress classifying oleomargarine into that which is artificially colored in imitation of butter and that which is not and imposing a tax of *ten cents* a pound on the former and *one-fourth of one cent* a pound on the latter was sustained.

If in leavying death duties Congress may act upon the principle that there should be less hindrance to transmissions of property to blood relations than to strangers; if in taxing oleomargarine it may act upon the principle that oleomargarine not colored in imitation of butter should be less burdened that that which is, why may it not, in taxing sales of corporate securities, act upon the like principle that there should be less hindrance to sales on exchanges legitimately serving economic ends than to sales on exchanges whose facilities are employed to the public disadvantage?

It will be said that the taxation of sales of stocks in the manner proposed would be an attempt by Congress to suppress stock exchange gambling, and therefore unconstitutional, since that is a subject within the province of the States. The like objection was made that in taxing inheritances at varying rates dependent upon the relationship or absence of relationship between the taker and the deceased Congress was attempting to regulate the disposition of property within the States; and that in taxing oleomargarine 10 cents a pound when colored in imitation of butter and only one-fortieth of that rate when not so colored it was attempting to prohibit the manufacture of artificially-colored oleomargarine within the States in the interest of producers of butter. The answer to this objection has been often stated, nowhere better than in the Oleomargarine case (McCray *v.* United States, 195 U. S., 27, 56, 63):

The decisions of this court from the beginning lend no support whatever to the assumption that the judiciary may restrain the exercise of lawful power on the assumption that a wrongful purpose or motive has caused the power to be exerted.

* * * * * * *

That provision [fifth amendment], as we have previously said, does not withdraw or expressly limit the grant of power to tax conferred upon Congress by the Constitution. From this it follows, as we have also previously declared, that the judiciary is without authority to avoid an act of Congress exerting the taxing power, even in a case where, to the judicial mind, it seems that Congress had, in putting such power in motion, abused its lawful authority by levying a tax which was unwise or oppressive, or the result of the enforcement of which might be to indirectly affect subjects not within the powers delegated to Congress.

It follows that a stamp tax imposed everywhere throughout the United States and at the same rate upon sales of corporate stocks and bonds on exchanges not so organized and governed as to prevent gambling and manipulation of prices does not fail of the uniformity required by the Constitution, because sales of such stocks and bonds otherwise negotiated are not so burdened; and that therefore such a tax is within the power of Congress regardless of its purpose or effect.

Being thus authorized to lay such a tax, it is clear from what has heretofore been said in reference to the means at its disposal in executing its powers, that Congress may enact that exchanges not conforming to prescribed regulations reasonably adapted to suppressing gambling and manipulation in prices shall be deemed not so organized and governed as to prevent the use of their facilities for those purposes.

Chapter Third.—As Regards Concentration of Control of Money and Credit.

SECTION 1.—EVOLUTION OF THE CONTROLLING GROUPS.

Your committee is satisfied from the proofs submitted, even in the absence of data from the banks, that there is an established and well-defined identity and community of interest between a few leaders of finance, created and held together through stock ownership, interlocking directorates, partnership and joint account transactions, and other forms of domination over banks, trust companies, railroads, and public-service and industrial corporations, which has resulted in great and rapidly growing concentration of the control of money and credit in the hands of these few men.

The bulk of the oral and documentary evidence taken before your committee was directed toward ascertaining whether, in current phrase, there is a "money trust."

If by such a trust is meant a combination or arrangement created and existing pursuant to a definite agreement between designated persons with the avowed and accomplished object of concentrating unto themselves the control of money and credit, we are unable to say that the existence of a money trust has been established in that broad bald sense of the term, although the committee regrets to find that even adopting that extreme definition surprisingly many of the elements of such a combination exist.

One of the witnesses presented a statement or argument following his examination, from which it appears that he read the charts, statistics, and other testimony produced before the committee, showing among other things the total resources of various financial, railway, and industrial corporations, as intended to imply that all such resources were in the form of actual cash. It was assumed that it would be understood that the resources of railroads include their rails, station equipment, materials, and other assets as well as their cash in hand, and that the resources of industrial corporations include their plants, accounts, and other assets, and those of financial institutions their loans, discounts, and other property and investments. There is no ground for the deduction that the term "resources" as used in the exhibits was not used in the universal acceptation of the word.

It would of course be absurd to suggest that control of the bulk of the widely distributed wealth of a great nation can be corralled by any set of men. If that is what is meant by gentlemen who deny the

existence of a money trust, your committee agrees with them. Such a thing would of course be impossible, and its suggestion is ridiculous. It is not, however, necessary that a group of men shall directly control the small savings in the banks nor the scattered resources of the country in order to monopolize the great financial transactions or to be able to dictate the credits that shall be extended or withheld from the more important and conspicuous business enterprises. This is substantially what has been accomplished and fairly represents the existing condition.

Under our system of issuing and distributing corporate securities the investing public does not buy directly from the corporation. The securities travel from the issuing house through middlemen to the investor. It is only the great banks or bankers with access to the mainsprings of the concentrated resources made up of other people's money in the banks, trust companies, and life insurance companies, and with control of the machinery for creating markets and distributing securities, who have had the power to underwrite or guarantee the sale of large-scale security issues. The men who through their control over the funds of our railroad and industrial companies are able to direct where such funds shall be kept, and thus to create these great reservoirs of the people's money are the ones who are in position to tap those reservoirs for the ventures in which they are interested and to prevent their being tapped for purposes of which they do *not* approve. The latter is quite as important a factor as the former. It is a controlling consideration in its effect on competition in the railroad and industrial world.

When we consider, also, in this connection that into these reservoirs of money and credit there flow a large part of the reserves of the banks of the country, that they are also the agents and correspondents of the out-of-town banks in the loaning of their surplus funds in the only public money market of the country, and that a small group of men and their partners and associates have now further strengthened their hold upon the resources of these institutions by acquiring large stock holdings therein, by representation on their boards and through valuable patronage, we begin to realize something of the extent to which this practical and effective domination and control over many of our greatest financial, railroad, and industrial corporations has developed, largely within the past five years, and that it is fraught with peril to the welfare of the country.

If, therefore, by a "money trust" is meant—

> An established and well-defined identity and community of interest between a few leaders of finance which has been created and is held together through stock holdings, interlocking directorates, and other forms of domination over banks, trust companies, railroads, public-service and industrial corporations, and which has resulted in a vast and growing concentration of control of money and credit in the hands of a comparatively few men—

your committee, as before stated, has no hesitation in asserting as the result of its investigation up to this time that the condition thus described exists in this country to-day.

Some of the endless ramifications of this power have been traced and presented and it is upon these that we have based our findings. Many others can be fully discovered and analyzed only after a close scrutiny of the internal affairs of the great national banks that will

disclose the ways in which their resources are used, to whom their funds are loaned, what securities they have been buying and selling and how their vast profits have been earned. Whilst your committee has been denied access to this data, sufficient has been learned to reveal the relations of these banks and of the State banks and trust companies and the use that has been made of them in upbuilding a power over our financial system and in consequence over our railroads and greater industries that permits real competition on a large scale in the various fields of enterprise only by sufferance, if at all.

The parties to this combination or understanding or community of interest, by whatever name it may be called, may be conveniently classified, for the purpose of differentiation, into four separate groups.

First. The first, which for convenience of statement we will call the inner group, consists of J. P. Morgan & Co., the recognized leaders, and George F. Baker and James Stillman in their individual capacities and in their joint administration and control of the First National Bank, the National City Bank, the National Bank of Commerce, the Chase National Bank, the Guaranty Trust Co., and the Bankers Trust Co., with total known resources, in these corporations alone, in excess of $1,300,000,000, and of a number of smaller but important financial institutions. This takes no account of the personal fortunes of these gentlemen.

Second. Closely allied with this inner or primary group, and indeed related to them practically as partners in many of their larger financial enterprises, are the powerful international banking houses of Lee, Higginson & Co. and Kidder, Peabody & Co., with three affiliated banks in Boston—the National Shawmut Bank, the First National Bank, and the Old Colony Trust Co.—having at least more than half of the total resources of all the Boston banks; also with interests and representation in other important New England financial institutions.

Third. In New York City the international banking house of Messrs. Kuhn, Loeb & Co., with its large foreign clientele and connections, whilst only qualifiedly allied with the inner group, and only in isolated transactions, yet through its close relations with the National City Bank and the National Bank of Commerce and other financial institutions with which it has recently allied itself has many interests in common, conducting large joint-account transactions with them, especially in recent years, and having what virtually amounts to an understanding not to compete, which is defended as a principle of "banking ethics." Together they have with a few exceptions preempted the banking business of the important railways of the country.

Fourth. In Chicago this inner group associates with and makes issues of securities in joint account or through underwriting participations primarily with the First National Bank and the Illinois Trust & Savings Bank, and has more or less friendly business relations with the Continental & Commercial National Bank, which participates at times in the underwriting of security issues by the inner group. These are the three largest financial institutions in Chicago, with combined resources (including the two affiliated and controlled State institutions of the two national banks) of $561,000,000.

Radiating from these principal groups and closely affiliated with them are smaller but important banking houses, such as Kissel Kinnicut & Co., White, Weld & Co., and Harvey Fisk & Sons, who

receive large and lucrative patronage from the dominating groups and are used by the latter as jobbers or distributors of securities the issuing of which they control, but which for reasons of their own they prefer not to have issued or distributed under their own names. Messrs. Lee, Higginson & Co., besides being partners with the inner group, are also frequently utilized in this service because of their facilities as distributors of securities.

Beyond these inner groups and subgroups are banks and bankers throughout the country who cooperate with them in underwriting or guaranteeing the sale of securities offered to the public and who also act as distributors of such securities. It was impossible to learn the identity of these corporations, owing to the unwillingness of the members of the inner group to disclose the names of their underwriters, but sufficient appears to justify the statement that there are at least hundreds of them and that they extend into many of the cities throughout this and foreign countries.

The patronage thus proceeding from the inner group and its subgroups is of great value to these banks and bankers, who are thus tied by self-interest to the great issuing houses and may be regarded as a part of this vast financial organization. Such patronage yields no inconsiderable part of the income of these banks and bankers and without much risk on account of the facilities of the principal groups for placing issues of securities through their domination of great banks and trust companies and their other domestic affiliations and their foreign connections. The underwriting commissions on issues made by this inner group are usually easily earned and do not ordinarily involve the underwriters in the purchase of the underwritten securities. Their interest in the transaction is generally adjusted, unless they choose to purchase part of the securities, by the payment to them of a commission. There are however occasions on which this is not the case. The underwriters are then required to take the securities. Bankers and brokers are so anxious to be permitted to participate in these transactions under the lead of the inner group that as a rule they join when invited to do so, regardless of their approval of the particular business, lest by refusing they should thereafter cease to be invited.

It can hardly be expected that the banks, trust companies, and other institutions that are thus seeking participations from this inner group would be likely to engage in business of a character that would be displeasing to the latter or that would interfere with their plans or prestige. And so the protection that can be offered by the members of this inner group constitutes the safest refuge of our great industrial combinations and railroad systems against future competition. The powerful grip of these gentlemen is upon the throttle that controls the wheels of credit and upon their signal those wheels will turn or stop.

In the case of the pending New York subway financing of $170,000,000 of bonds by Messrs. Morgan & Co. and their associates, Mr. Davison estimated that there were from 100 to 125 such underwriters who were apparently glad to agree that Messrs. Morgan & Co., the First National Bank, and the National City Bank should receive 3 per cent—equal to $5,100,000—for forming this syndicate, thus relieving themselves from all liability, whilst the underwriters assumed the risk

of what the bonds would realize and of being required to take their share of the unsold portion.

This transaction furnishes a fair illustration of the basis on which this inner group is able to capitalize its financial power. Included among the underwriters are the banks and trust companies that are controlled by Messrs. Morgan, Baker, and Stillman under voting trusts, through stock ownerships, and in the other ways described. Thus, they utilize this control for their own profit and that of the stockholders of the institutions. But the advantage to the depositors whose money and credit may be used in financing such enterprises is not apparent.

It may be that this recently concentrated money power so far has not been abused otherwise than in the possible exaction of excessive profits through absence of competition. Whilst no evidence of abuse has come to the attention of the committee from impartial sources, neither has there been adequate proof or opportunity for proof on the subject. Here again the data has not been available.

Sufficient has, however, been developed to demonstrate that neither potentially competing banking institutions or competing railroad or industrial corporations should be subject to a common source of private control.

Your committee is convinced that however well founded may be the assurances of good intentions by those now holding the places of power which have been thus created, the situation is fraught with too great peril to our institutions to be tolerated.

SECTION 2.—CONTROL OF MARKET FOR SECURITY ISSUES.

Through their power and domination over so many of the largest financial institutions, which, as buyers, underwriters, distributors, or investors, constitute the principal first outlets for security issues, the inner group and its allies have drawn to themselves the bulk of the business of marketing the issues of the greater railroad, producing and trading, and public-utility corporations, which, in consequence, have no open market to which to appeal; and from this position of vantage, fortified by the control exerted by them through voting trusts, representation in directorates, stock holdings, fiscal agencies, and other relations, they have been able in turn to direct the deposits and other patronage of such corporations to these same financial institutions, thereby strengthening the instruments through which they work.

No railroad system or industrial corporation for which either of the houses named has acted as banker could shift its business from one to another. Where one has made an issue of securities for a corporation the others will not bid for subsequent issues of the same corporation. Their frequent and extensive relations in the joint issue of securities has made such a *modus vivendi* inevitable.

This inner group and allies thus have no effective competition, either from others or amongst themselves for these large security issues, and are accordingly free to exact their own terms in most cases. Your committee has no evidence that this power is being used oppressively and no means of ascertaining the facts so long as their profits are undisclosed.

It should be noted, however, that issues of subsidiaries of the United States Steel Corporation within the past year, amounting to $30,500,000 having been purchased by Messrs. Morgan & Co., were, the greater part of them, immediately resold at a profit to Lee, Higginson & Co. and Kissel, Kinnicut & Co. (Davison, R., 1833-1848), when, so far as appears, the corporation could readily have saved this intermediate profit or commission by being permitted to deal directly with the banking houses which purchased the securities for distribution. It is admitted that Messrs. Morgan reaped a profit on these issues. Yet they performed no service so far as we have yet been able to learn. They neither formed the syndicate nor did they lend their names to the issue. If they wanted to market the securities we assume that it was their privilege to do so, as fiscal agents of the corporation. Otherwise, was it not their duty, situated as they were with regard to the Steel Corporation, as the supreme power therein, without whose approval no director could be named, to see to it that the best possible bargain for the corporation should be made, and not reserve to themselves a profit without risk or service? There are said to be about 130,000 shareholders in the Steel Corporation. This illustrates the vice of allowing interstate corporations to constitute exclusive fiscal agencies, which secure large revenues without performing any substantial service, and which, above all, render the corporations in question powerless to profit by competition. When we consider further that in many cases the corporation is not a free agent in thus destroying its liberty of action the practice becomes intolerable.

Again, to take one of several similar instances, it was impossible for your committee to learn whether the prices at which Messrs. Morgan & Co. and the First National Bank have from time to time purchased the securities of the Southern Railway (the management of which they absolutely control through the voting trust referred to) represented the fair value thereof. Assuming that in this case full value was paid, your committee is of the opinion that a banking house should not occupy a position where it can determine the prices at which a corporation shall sell security issues to it. It is a trustee for the disfranchised stockholders in as broad and unqualified a sense as is a guardian for his infant ward and should be under the same disability against dealing with its *cestui que trust*. The same principle is applicable with respect to the trust companies with which Messrs. Morgan and Baker stand in like relation under voting trusts and which participate in their ventures as underwriters and purchasers of securities.

The suggestion that because these corporations have boards of directors composed of men of standing they are independent, seems to us disingenuous. They are the nominees of the banking house and subject to removal by it at any election. They are not accountable to the shareholders, but to Messrs. Morgan and Baker, and are not free agents, no matter how eminently respectable and distinguished they may be.

Not only does this domination of great banks and trust companies enable the inner group and their allies to control the disposition of new security issues through control of the main outlets therefor, but it also enables them to say what and whose securities shall *not* be bought and of enforcing the retention in these institutions of securi-

ties issued by them of which an independent management might consider it wise to dispose. The large holdings of the Mutual and Equitable Life Insurance Cos. of the stocks of the National Bank of Commerce and of trust companies and of certain industrial companies with which Messrs. Morgan and the National City Bank are identified, such as those of the Consolidated Gas Co. and the International Mercantile Marine Co., are a few of the numerous instances of this kind. The New York Insurance law of 1906 allowed five years for the disposition of this class of securities. This has now been extended for a further term of five years. Yet most of these securities have a ready market.

The purchase of the Equitable Life stock by Mr. Ryan and Mr. Morgan in succession furnishes an object lesson of the value that leading financiers place on the control of corporate assets not belonging to the corporation but held in trust for other people, and a fair criterion from which to judge of the reasons why they have engaged so actively in buying into banks and trust companies and in securing control thereof through voting trusts. If the controlling stock of the Equitable Life, that yields only 7 per cent on \$51,000—\$3,570 per year—was worth \$2,500,000 to Mr. Ryan and \$3,000,000 to Mr. Morgan, why did it have that value? Was it because the life insurance company held in its treasury the majority stock of the Mercantile Trust Co., which was turned over to the Bankers Trust Co., controlled by J. P. Morgan & Co. through a voting trust, after Mr. Morgan bought Mr. Ryan's stock; and also the stocks of other banks and trust companies, including those of the National Bank of Commerce and the Fifth Avenue Trust Co.? The Guaranty Trust Co., likewise controlled by Morgan & Co., through a voting trust, subsequently absorbed the Fifth Avenue Trust Co., and Messrs. Morgan, Baker, and Stillman took over one-half the holdings of the Equitable and Mutual Life Insurance Cos. of the Bank of Commerce stock.

Here, then, were stocks of five important trust companies and one of our largest national banks in New York City that had been held by these two life insurance companies. Within five years all of these stocks, so far as distributed by the insurance companies, have found their way into the hands of the men who virtually controlled or were identified with the management of the insurance companies or of their close allies and associates, to that extent thus further entrenching them.

The distinction between buying control of a bank or trust company and of an industrial company or railroad is fundamental. In the latter cases the purchaser gets only the use of the assets that belong to the corporation. In the former he bargains for and gets the use of other people's money. The change of control in the latter interests only the parties to the transaction. It does not concern the public. In the former case the depositors and the public are very much interested, as must be apparent when we consider the effect of the acquisition of these bank and trust company stocks in connection with the purchases by these gentlemen of stocks in other of the great New York institutions at about that time and coincident with the establishment and renewal of voting trusts in still others.

SECTION 3.—CONCENTRATION OF CONTROL OF MONEY AND CREDIT ADMITTED.

That a rapid concentration of the sources of credit in the forms we have described has taken place in this country in very recent years was admitted by witnesses of the highest qualifications.

Mr. Morgan, however, was not one of these. He said (R., 1051, 1052):

Q. There is no way one man can get a monopoly of money?
A. Or control of it.
Q. He can make a try at it?
A. No, sir; he can not. He may have all the money in Christendom, but he can not do it.
Q. Let us go on. If you owned all the banks of New York, with all their resources, would you not come pretty near having a control of credit?
A. No, sir; not at all.

* * * * * * *

* * * What I mean to say is this—allow me: The question of control, in this country, at least, is personal; that is, in money.
Q. How about credit?
A. In credit also.
Q. Personal to whom—to the man who controls?
A. No, no; he never has it; he can not buy it.
Q. No; but he gets——
A. All the money in Christendom and all the banks in Christendom can not control it.
Q. That is what you wanted to say, is it not?
A. Yes, sir.

And again (R., 1082, 1083, 1084, 1085):

Q. If you had the control of all that represents the assets in the banks of New York, you would have the control of money—of all that money?
A. No; you would not.

* * * * * * *

But money can not be controlled.
Q. Is not the credit based upon the money?
A. No, sir.
Q. It has no relation?
A. No, sir.
Q. None whatever?
A. No, sir; none whatever.

* * * * * * *

Q. Commercial credits are based upon the possession of money or property?
A. What?
Q. Commercial credits?
A. Money or property or character.
Q. Is not commercial credit based primarily upon money or property?
A. No, sir; the first thing is character.
Q. Before money or property?
A. Before money or anything else. Money can not buy it.
Q. So that a man with character, without anything at all behind it can get all the credit he wants, and a man with the property can not get it?
A. That is very often the case.
Q. But that is the rule of business?
A. That is the rule of business, sir.

* * * * * * *

Q. Do you mean to say that when people lend, as when loans are made on stock-exchange collateral, to the extent of hundreds of millions of dollars, they look to anything except the collateral?
A. Yes; they do.
Q. They do?
A. Yes. Right on that point, what I did, what I used to do—and I think it is pretty generally done now—is this: If I see there is a loan to Mr. Smith, I say,

"You call that loan right away." I would not have that loan in the box. I would not have that loan.

Q. That is not the way money is loaned on the stock exchange?
A. That is the way I loan it.
Q. No matter what collateral a man has on the stock exchange——
A. If he is not satisfactory to me, I call the loan at once, personally.
Q. I am not talking about you, personally.
A. I call that loan personally. I am not talking of anybody else's way of doing business, but I tell you what I think is the basis of business.

None of the other witnesses who were interrogated on this subject were able to agree with Mr. Morgan as to the factors that enter into the current business of loaning money on collateral. Thus Mr. Baker said (R., 1503):

Q. As a matter of fact, Mr. Baker, in the current loans made on stock-exchange collateral, does not the bank look to the security and not to the borrower?
A. Generally.

It is thus seen that Mr. Morgan's view that group control of credit is impossible, rests upon the theory that credit is not based on money or resources, but wholly on character, and this even as regards loans on the stock exchange. This is an obvious economic fallacy, as the every-day transactions of business demonstrates.

Following out this theory, Mr. Morgan further stated that he was not conscious that he had the slightest power (R., 1061):

Q. Your power in any direction is entirely unconscious to you, is it not?
A. It is, sir; if that is the case.
Q. You do not think you have any power in any department of industry in this country, do you?
A. I do not.
Q. Not the slightest?
A. Not the slightest.

This again illustrates that Mr. Morgan's conception of what constitutes power and control in the financial world is so peculiar as to invalidate all his conclusions based upon it.

It seems to your committee that among other things his testimony as to the circumstances under which he obtained control of the Equitable Life Assurance Co. from Mr. Ryan demonstrates his possession of power in the fullest sense, and also that he knows how to exercise it. He said (R., 1069, 1070):

Q. * * * Did Mr. Ryan offer this stock to you?
A. I asked him to sell it to me.
Q. You asked him to sell it to you?
A. Yes.
Q. Did you tell him why you wanted it?
A. No; I told him I thought it was a good thing for me to have.
Q. Did he tell you that he wanted to sell it?
A. No; but he sold it.
Q. He did not want to sell it; but when you said you wanted it, he sold it?
A. He did not say that he did not want to sell it.
Q. What did he say when you told him you would like to have it and thought you ought to have it?
A. He hesitated about it, and finally sold it.

It will be noted that the only reason that Mr. Morgan gave for Mr. Ryan's surrender of the stock was that he told Mr. Ryan that he "thought it was a good thing" for him (Mr. Morgan) to have. (R., 1069.)

It may be that behind the reluctance of Mr. Morgan to furnish a business or other reason for this transaction lies a hidden motive, based on a high disinterested sense of public duty. If so, we have been unable to discover it. The incident is cited here primarily to show that however he may feel about it himself, the dominating power of Mr. Morgan is so universally recognized in the financial world that even the leaders humbly bow to it.

Again, Mr. Morgan's conceptions of the duty of a bank director with regard to the knowledge a director is entitled to secure and is required to possess as to loans made by his bank demonstrates that his views on these questions are peculiar to himself and represent neither the generally understood point nor do they correctly state the legal obligation resting on a director (R., 1090, 1091):

Q. You do not think a director has a right to look at the loans in his bank?
A. In the aggregate stocks, but not as to whose they are.
Q. You do not think the director of a corporation has a right to find out to whom the bank lends its money?
A. Yes; to whom they loan, but not to examine it for that purpose.
Q. They have a right to see to whom they loan their money and on what collateral, have they not?
A. Yes; in blank.
Q. They would not be allowed to know the name?
A. No, sir.

On the proposition that there is not and can not be concentration of control of money or credit, it will be observed that Mr. Morgan is directly at variance with his associate, Mr. Baker, who deprecated further concentration in this regard, saying it has gone far enough, because in the hands of the wrong men "it would be very bad"; that the safety of the situation lies in the personnel of the control. (R., 1567, 1568.) He evidently does not agree that the situation would correct itself.

That such concentration is an existing condition and not a myth seems indeed to be agreed on all sides. Mr. Reynolds considers it a menace (R., 1654, 1655), whilst Mr. Schiff has been an interested observer of its rapid growth during the past few years, but is not worried, because his firm is now so rich and powerful that it no longer requires credit (R., 1686, 1688). We note, however, that he has been something more than a mere observer. His firm has acquired also within the past few years interests and representation in the National Bank of Commerce, Equitable Trust Co., United States Mortgage & Trust Co., and Fourth National Bank. (Exhibit 200, R., 1696, 1765.)

Mr. Perkins said he had also observed the growth of concentration. (R., 1635.)

SECTION 4.—INTERLOCKING DIRECTORATES AND CONSOLIDATIONS.

From the point of view of the champions of monopoly and combination, which they are pleased to characterize as "cooperation," the situation as regards the leading banks and trust companies in the cities of New York, Boston, and Chicago (there was not time to complete the inquiry as to Philadelphia, St. Louis, and other large cities) is logical and desirable. But to those who believe in the gov-

ernmental policy of maintaining or restoring competition, as reflected in the Federal and State laws, the condition is anomalous and of the most serious import. Its highest development is found in New York City. The situation there is the one with which we have primarily to deal, although other cities play an important part in the general scheme. It is through the control of the leading New York institutions and their commanding position as the depositaries of the reserves of the country and by reason of the fact that the New York Stock Exchange is the only public money market in the United States, that the money rates and the market for securities as affected by the money rates can be controlled.

The evidence demonstrates that the inner group and the banks and trust companies with which they are affiliated, through stock ownership, representation in directorates, and otherwise, dominate the money market for loans on the stock exchange and on stock-exchange securities. They lend not only their own money and the money of their depositors, including the deposits of the out-of-town banks, but that of their correspondents, on terms and security satisfactory to them (the New York banks). It is in their power by cooperation primarily to fix the call rate from day to day and to determine what constitutes satisfactory collateral. This does not mean that all the loans thus made are controlled by them. Nor does it mean that loans may not be effected by other banks and bankers on collateral that the banks affiliated with the inner group would not accept. Such a degree of absolute domination is not necessary in order to control money rates or to influence security values, any more than it would be necessary for one corporation to own all of a given commodity in order to be able to control the price. Nor does the proof show affirmatively that there is in fact any definite agreement or understanding pursuant to which the daily call rates for money are fixed. But the power and the opportunity are there and could be exercised without leaving proof or trace behind.

Whenever the incentive is at hand the machinery is ready. It is made possible by this community of interest and family representation in the institutions that hold these resources. At best it is a dangerous situation, with its boundless temptations and opportunities, no matter how high or lofty may be the sense of responsibility of those who hold the power. It is too vast and perilous a power to be safely intrusted to the hands of any man or set of men, be he or they ever so patriotic or unselfish. We have no right to assume that he or they or their successors will never use it in his or their own interest and to the detriment of the public welfare.

We do not agree to the cheerful philosophy that such a situation will right itself and that when the man thus intrusted with this great power ceases to deserve it he will lose it; or, as Mr. Morgan put it, that deposits will be withdrawn from his banks. What if they are held there buttressed by voting trusts, fiscal-agency agreements, directorships, stock holdings, and in the many other ways known only to the intricacies of modern finance? What if they finally do escape and the impossible should come about of his power being broken?

At best it would require open, reckless, and long-continued abuse to cripple power thus intrenched. It could withstand many missteps even if they became known, which is quite unlikely. And

after he was crippled he would revive. If in the end the power should be destroyed, what is likely to happen to the credit and prosperity of the country whilst the edifice is crumbling?

That argument does not appeal to us as an answer to the conclusion we have reached that such power is a menace.

To us the peril is manifest. But the remedy is not so easily found or applied, having due regard, as we should, to the encouragement of enterprise.

As the first and foremost step in applying a remedy, and also for reasons that seem to us conclusive, independently of that consideration, we recommend that interlocking directorates in potentially competing financial institutions be abolished and prohibited, so far as lies in the power of Congress to bring about that result, with the qualification that a director of a national bank or a partner of his may be an officer or a director of not more than one trust company doing business at the same place. Whilst Congress can not intrude into the management of State banks and trust companies, it is clearly within its province to disqualify any person who is an officer or director of either a State bank or trust company or a partner of such officer or director from being an officer or director in a national bank that is located in the same city or town. And, of course, Congress has power to prohibit an officer or director of one national bank from being an officer or director of a State institution in the same locality.

It is manifestly improper and repugnant to the theory and practice of competition that the same person or members of the same firm shall undertake to act in such inconsistent capacities. The exception in the case of a trust company is suggested, because of the different character of business that may be transacted by the latter. Nor is it just to the stockholders or depositors of either institution that an officer or director of a national bank should essay to serve two masters whose interests should be so divergent. When we find, as in a number of instances, the same man a director in a half dozen or more banks and trust companies all located in the same section of the same city, doing the same class of business and with a like set of associates similarly situated all belonging to the same group and representing the same class of interests, all further pretense of competition is useless. For all practical purposes of competition such banks and trust companies may as well be consolidated into a single entity.

Mr. Davison has, in fact, admitted that as to the Guaranty Trust Co. the purpose of himself and his associates in acquiring it was to consolidate it with the Bankers Trust Co., which they had organized and also controlled. So in the case of the National Bank of Commerce, very large blocks of the stock of which were acquired by J. P. Morgan & Co., and those in control of the National City Bank and the First National Bank, the purpose was doubtless much the same. That being so, they should not be permitted to pose as competitors.

If banks serving in the same field are to be permitted to have common directors, genuine competition will be rendered impossible. Besides, this practice gives to such common directors the unfair advantage of knowing the affairs of borrowers in various banks, and thus affords endless opportunities for oppression.

The contention that if banks in the same community were not allowed to have officers and directors in common competent men for

the places could not be had and that in consequence the patronage and prosperity of the banks would be injuriously affected, is disproved by the case of the Continental & Commercial National Bank of Chicago. Its president, Mr. Reynolds, testified as follows (R., 1655):

Q. Do you approve of the identity of directors or interlocking directors in potentially competing institutions?

A. No, sir; personally I do not believe that is the best policy. That is the reason I am not a director or a stockholder in any corporation that deals with us. There is hardly a day that I am not invited and do not have the opportunity to do it. It has been my theory of the proper method of banking to adhere to that policy.

Q. You have found that you could succeed in that way, too, have you not, Mr. Reynolds?

A. That is true as to whatever we have done. Some people would say that we have been successful. I am a little modest in that direction.

Q. Have you not the largest deposits in the country?

A. With one exception, at any rate; yes.

The omission of the banking law to limit the number of directors has led to boards of unwieldy size and has scattered responsibility where it should be concentrated. The National City Bank of New York, for instance, has 24; the National Bank of Commerce of New York has 40. The consensus of opinion among financiers is that small boards would be more effective (Reynolds, R., 1640 1641; Schiff, R., 1686; Davison, R., 1870, 1871). Such an arrangement would leave no ground for the objection that has been urged against abolishing interlocking directorates, that not enough competent men would be available.

It does not appear and it is not the fact, so far as we have been able to learn, that either in England or France or in any other country is there any community of interest between the great institutions or any interlocking of directorates. They are competitive in every sense of the word. Still more important is the fact that the law jealously safeguards them against the participation of bankers and brokers in their councils, on the ground that as those interests are likely to be dealing with the banks they should not be permitted to be represented on both sides of the bargain.

The laws on that subject are as follows:

Bank of England.—Bankers, brokers, bill discounters, or directors of other banks operating in England are excluded as directors. (S. Doc. 405, p. 10.) Custom has enacted that the directors should never be chosen from the ranks of other banks. They are generally taken from the merchant firms and accepting houses. (S. Doc. 492, p. 67.)

Bank of France.—Regents (directors) are chosen only from the commercial and industrial classes. The consulting discount committee is composed of 12 merchants and manufacturers. (S. Doc. 405, p. 190.)

National Bank of Belgium.—The governors and directors can not be on the board of any other bank. (S. Doc. 400, p. 227.)

Russian banking law.—No person is allowed to be a member of the board of management of more than one bank. (S. Doc. 586, p. 16.)

Union Bank of Scotland.—No banker or stockholder is eligible as a director. (S. Doc. 405, p. 158.)

Commercial Bank of Scotland.—Directors must not be directors of any other bank. (S. Doc. 405, p. 174.)

If we can get back to anywhere near the state of healthful rivalry that prevails in those countries our troubles in this direction will be solved.

Your committee is of opinion, therefore, that no person should be permitted to be a director in potentially competitive financial institutions, with the qualifications above stated or in competitive industrial, railroad, or other corporations and that the right of a national bank to acquire or merge with or consolidate with other financial institutions should be subject to governmental authority, preferably the Comptroller of the Currency, to the end that it may be restricted and controlled and that the rapid disappearance of competition may be checked and competition revived. Under the national banking act there is now no limitation on the power of national banks to consolidate. They may combine to the point of complete monopoly.

SECTION 5.—VOTING TRUSTS IN FINANCIAL INSTITUTIONS.

No evidence of the existence of such voting trusts in national banks has been brought to our attention unless the arrangements referred to between security companies and national banks requiring that every purchase or sale of bank stock shall be made in conjunction with a proportionate interest in the security company. which may be regarded as in a sense in the nature of a modified voting trust to the extent that it interferes with the freedom of disposition of bank stock.

We regard the existence of voting trusts in financial institutions as highly inadvisable and prejudicial. The directors of a corporation that is authorized to receive deposits should be accountable for the management of their institution directly to the owners and to the public. Their tenure of office should not be dependent on strangers in interest. The stockholders should not have the right to delegate any such duty. They, too, are in a sense trustees for the depositors and for the public, which is deeply concerned in maintaining the integrity of its financial system.

The turning over of such control to those who are constantly dealing with the institution is particularly inappropriate and undesirable no matter how well intentioned may be the trustees. It may be assumed that in the two conspicuous cases that were brought to our attention the prosperity of the companies has been vastly promoted by that action, as we have no doubt it has been. We still regard the action in that respect and the result as unfortunate from the point of view of the public interest. It was doubtless because of the power of Messrs. Morgan and Baker that it was made possible.

We recommend that it be expressly declared unlawful for the controlling interest or any part of the stock of a national bank to be dealt with in that way. The action in respect of the trust companies in question is not within our province, but we venture to express the hope and expectation that the voting trusts in which their stock is held will be dissolved.

SECTION 6.—MINORITY REPRESENTATION THROUGH CUMULATIVE VOTING.

Your committee believes that the minority should have the right to representation on the boards of directors of all corporations in the proportion of their interests. The proposition appeals to one as a common measure of rudimentary justice. It meets with the approval of most of the bankers and others who have been interrogated on the subject. It prevails in many of the States. No sufficient reason has been urged against it.

One witness argued that it would make place on boards of directors for mischief-makers and other undesirables who might want to use advance information for stockjobbing or other improper purposes. The suggestion that a man who either alone or in conjunction with other stockholders can command sufficient pecuniary interest in a corporation to secure representation may take office in order to injure or betray his own interests is no more applicable to a minority than to a majority. The latter have been known to do so. The experience of directors in the control of a corporation using advance information as a private asset for speculative purposes is no novelty. A minority will not have the power to stop altogether but it may be able to check the use of the corporation by the majority for selfish or ulterior purposes.

Great as have been the abuses practiced upon the public by the manipulation of *securities* through the medium of the stock exchange, they do not in our judgment compare with the frauds that are practiced upon minority stockholders by the *manipulation of properties* by the holders of bare majorities through holding companies and in many other ways in which minorities may be oppressed under the system of excluding them from all representation. It frequently amounts to virtual confiscation. This is especially true in railroad properties, where the controlled company becomes a mere pawn in the game of the controlling company.

National banks should be required to afford minority representation, as should all other corporations created by Congress. The securities of corporations that do not afford this measure of justice and protection are not safe or proper to be made the basis of loans by the banks. By forbidding national banks from lending upon them Congress can do its part toward adding to the public safety in corporate investments.

Other countries have gone much further than is here suggested, and much further than we would recommend, to keep control of the banks out of the hands of large stockholders. Their laws render it impossible for such holders to dominate the corporation, even though they constitute the vast majority in ownership. Their effort is to force the control into the hands of the greatest *number* of small scattered holders as against the majority of stock interest in the hands of the smaller number of holders.

The following table on this point is illuminating:

Name of bank.	Limitation.	Reference to authority.
Bank of England	Each stockholder owning £500 stock or more has but 1 vote, regardless of the amount of his holding.	S. Doc. No. 405, p. 8.
Union of London and Smith's Bank (England).	No corporation can hold stock. No transfer can be made except with consent of directors, who would refuse consent to transfer on part of any one to get too large holding. Each 10 shares up to 200 has 1 vote, but no holder, regardless of amount owned, has over 20 votes.	S. Doc. No. 405, p. 35.
London and Westminster Bank (England).	Holder of 10 to 49 shares has 1 vote; of 50 to 99 shares, 2 votes; of 100 to 199 shares, 3 votes; of 200 shares or over 4 votes.	S. Doc. No. 405, p. 116.
Bank of Scotland	1 vote for every £250 (5 shares), but not more than 20 votes, regardless of amount owned.	S. Doc. No. 405, p. 143.
Union Bank of Scotland	1 vote for 10 shares, 2 votes for 50 shares, 3 votes for 100 shares, and 1 vote for every 100 shares over 100.	S. Doc. No. 405, p. 158.
Commercial Bank of Scotland	5 shares gives 1 vote; 10 shares, 2 votes; 15 shares, 3 votes; 20 shares, 4 votes; 25 shares, 5 votes; 35 shares, 6 votes; 45 shares, 7 votes; 55 shares, 8 votes; 65 shares, 9 votes; 80 shares, 10 votes; 95 shares, 11 votes; 110 shares, 12 votes; 130 shares, 13 votes; 150 shares, 14 votes; 175 shares, 15 votes; 200 shares, 16 votes, which is the maximum vote.	S. Doc. No. 405, p. 173.
National Bank of Belgium	10 shares gives right to 1 vote. No one can have more than 5 votes as shareholder and 5 votes as attorney for others whatever may be the number of his principals.	S. Doc. No. 400, p. 234.
Bank of the Netherlands	1 vote for 5 shares and 1 vote for each additional 10 shares.	S. Doc. No. 586, p. 47.
Russian banking law	No shareholder shall have a voting power exceeding one-tenth of the aggregate number of votes of members present at general stockholders' meetings.	S. Doc. No. 586, p. 17.

The holdings in all these countries are widely scattered:

Name of bank.	Number of shares.	Number of holders.	Reference to authority.
England:			
Bank of England	145,530	11,986	S. Doc. No. 578, p. 37.
Barclays	80,000	4,800	Do.
Capital and Counties	87,500	9,200	Do.
Lloyds	221,880	20,000	Do.
London & County	80,000	11,800	Do.
London Joint Stock	120,000	5,388	Do.
London & Southwestern	25,000	4,709	Do.
London & Midland	150,860	14,140	Do.
London & Westminster	140,000	10,521	Do.
Metropolitan	50,000	2,700	Do.
National Provincial	159,000	16,632	Do.
Parrs	85,430	8,122	Do.
William Deacons	78,130	2,900	Do.
Union of London	229,340	8,700	Do.
Deutsche Bank	The larger part of its shares are held in lots of 1 to 3 shares.		S. Doc. No. 405, p. 372.
Bank of France	182,500	32,867	Bankers' Magazine for London, Aug., 1912.
Reichsbank	100,000	18,757	Do.
National Bank of Belgium	50,000	1,888	S. Doc. No. 400, p. 217.

SECTION 7.—FISCAL-AGENCY AGREEMENTS.

Interstate corporations should not be permitted to enter into any agreements or other arrangements constituting any bank, banker, or trust company their sole fiscal agent to dispose of their security issues. Such arrangements make competition for their issues impossible.

Your committee is especially impressed with the impropriety of existing business practices that permit members of banking houses to sit on the boards and executive committees of interstate corpora-

ions with which they are dealing in the purchase and sale of securities or on the boards of directors and executive committees of banks that are underwriting or buying securities issued by such banking houses.

SECTION 8.—PRIVATE BANKERS AS DEPOSITARIES.

As heretofore stated, your committee has been unable to secure a complete list of the names of interstate corporations that are depositors with Morgan & Co. and other private bankers. It is fair to assume, however, that among them are all or most of those controlled by that firm through existing or expired voting trusts or otherwise.

Whilst we are satisfied that this particular firm is fully able to respond to all demands made upon it by its depositors, the question is as to the underlying principle of permitting deposits with private bankers, which we think should not be allowed. They are subject to no investigation, their resources and liabilities are unknown, they are required to keep no reserves, and may invest their depositors' money as they see fit.

Of the $114,000,000 of funds that were on deposit with Messrs. J. P. Morgan & Co. on November 1, 1912 (exclusive of $49,000,000 of deposits of their Philadelphia branch of Drexel & Co. held in like manner) they had on deposit in all their banks of deposit an aggregate sum of $12,094,000, which presumably included all their own funds. (Ex. 154, R., 1339; Ex. 220, R., 1949.)

A very natural result of permitting interstate corporations to deposit their moneys in this way is to put the cash reserves of these corporations at the service of the bankers. Unlike the usual relations between a bank and its customers, the bankers here have, as we have seen, the power to determine, through the board of directors, on which they are generally represented and all of whom they name in some cases, what the fiscal policy of the company shall be, what balances it shall keep, when it shall withdraw them, its money requirements, how they shall be met, what issues of securities it shall make, at what times and on what terms, and all of the many financial problems incident to the management of these great and complex corporate enterprises.

It is not necessary to question the good faith or fair dealing of the bankers in their relations with these controlled corporations in order to realize the impropriety of permitting this condition to continue unchecked and without supervision. The ownership of these corporations is widely scattered. Their stockholders include millions of small investors who are unable to protect themselves and who know, in fact, nothing of the management or operations of the companies except from the reports of the management.

SECTION 9.—INDIFFERENCE OF STOCKHOLDERS AN AID TO CONCENTRATION.

It appears from the evidence that where the property is not held under a voting trust and where the stock has its voting rights a small fraction is able to control a corporation if the holdings are

widely scattered, and that this is due mainly to the supineness and absence of initiative of stockholders in protecting their interests.

Unlike other countries, this condition is proverbial with us. None of the witnesses called was able to name an instance in the history of the country in which the stockholders had succeeded in overthrowing an existing management in any large corporation, nor does it appear that stockholders have ever even succeeded in so far as to secure the investigation of an existing management of a corporation to ascertain whether it has been well or honestly managed.

In this connection the officers of the four great life insurance companies were called and extracts from the minutes of their meetings of policyholders were produced, with the following results:

New York Life Insurance Co. (testimony of Mr. McCall, R., pp. 1306, 1307, 1308):

Year.	Number of policyholders.	Number of votes cast by policyholders.
1908	About 900,000	62
1909	Between 900,000 and 1,000,000	32
1911	About the same	41

Mutual Life Insurance Co. (testimony of Mr. Peabody, R., pp. 1312, 1313):

Year.	Number of policyholders.	Number of votes cast by policyholders.	Remarks.
1908	About 600,000	93	
1909	.....do	130	
1911	Between 600,000 and 700,000	13,527	Contested election.

Equitable Life Assurance Society (testimony of Mr. Day, R., pp. 1322, 1323):

This company has about 500,000 policyholders; approximately 25 to 50 vote at annual elections; the agency force is about 5,000. As the result of extraordinary efforts to get out a vote, they sent out 500,000 requests for votes, with stamped envelopes for reply, and in response received 22,000 votes.

Metropolitan Life Insurance Co. (testimony of Messrs. Ecker and Woodward, R., pp. 1336, 1337, 1338):

Year.	Number of policyholders.	Number of votes cast by policyholders.	Remarks.
1910	13,000,000 policies held by between 8,000,000 and 9,000,000 holders.	8,677	Agency force is about 10,000; district superintendents to the number of about 350 were instructed to endeavor to get out the votes.
1911	About the same	[1] 28,607	
1912	.....do	[1] 83,986	

[1] This indicates the number of votes cast for the president, Mr. Hegeman, who received the largest number of votes.

Except as to the Metropolitan Life, the officers were unable to say whether the few voting policyholders were made up of employees in the building. As the result of unusual efforts in the Metropolitan

Life to get out the vote in 1910 the 10,000 agents of the company were enlisted in the cause. As the outcome of their combined labor less than 1 per cent of the vote was secured, and that was in effect an agency vote, and as such presumably controlled by the management and secured at its solicitation, and in no true sense a policyholders' vote. (R., 1337–1339.) In 1910, when there was a contest in the Mutual Life, the vote was gotten out through the agents. (R., 1313.)

All of which demonstrates that the so-called control of life insurance companies by policyholders through mutualization is a farce and that its only result is to keep in office a self-constituted, self-perpetuating management, which can usually rely on the agency force to more than offset a policyholders' uprising if such a thing is conceivable. It is because of this condition that your committee attaches importance to the control of the Equitable Life Assurance Society by Mr. Morgan and to the relations of Mr. Baker to the management of the Mutual Life Insurance Co. as bearing on their influence over the $1,091,000,000 of assets of those companies. For that purpose there has been introduced in evidence a list of the investments of those companies, from which it will be seen that they consist largely of securities of companies with which Messrs. Morgan and Baker are identified. This, however, is mainly normal and is not subject to criticism except as to isolated investments, as it would be difficult to find securities of a class which a life insurance company should hold with which these gentlemen are not identified.

The situation that exists with respect to the control of the so-called mutual companies is in a modified way illustrative of all great corporations with numerous and widely scattered stockholders. The management is virtually self-perpetuating and is able through the power of patronage, the indifference of stockholders and other influences to control a majority of the stock. This means that where representatives of a great banking house are on the board and are financing the corporation and in close relations with the management the policy of the corporation is largely determined by the bankers where they choose to assume that responsibility. They may name the officers and directors and they buy and sell their securities without competition on terms that they think fair. The effect of such a system manifestly assures to the bankers a relation that they should not bear and power that they are not entitled to wield over other people's money and property in the determination of questions and policies as to which they sit on both sides of the table.

SECTION 10.—DOMINATION OF RAILROAD SYSTEMS BY INNER GROUP.

Your committee finds that vast systems of railroads in various parts of the country are in effect subject to the control of this inner group, a situation not conducive to genuine competition.

Here again the Southern Railway offers the most convenient illustration. For 19 years it has been controlled by Messrs. Morgan and Baker under a voting trust. They still control it. During all that time the road has never paid a dividend on its common stock, although it does not appear, and we do not mean to imply, that this is due to any fault of the voting trustees. It operates in competition with

the Louisville & Nashville and with the Atlantic Coast Line Railroads. While under such control Messrs. Morgan & Co. purchased the Louisville & Nashville and turned it over to the Atlantic Coast Line, thus strengthening the latter against the competitor for whose stockholders Messrs. Morgan and Baker were acting as trustees, and whose properties were in their hands.

During this same time, while Messrs. Morgan & Co. had been financing the requirements of the Southern Railway, they have also been financing those of its competitor. It may be, as Mr. Davison states, that it is entirely consistent and wholesome that a banking house shall gain the influence over competitors that arises from financing their respective money requirements, especially in a situation such as now exists where, having once become the bankers for a given corporation, that corporation can not finance its needs with any other leading banking house because of this rule of "banking ethics," which is neither more nor less than an understanding not to compete.

Your committee is of the opinion that such affiliations as are here shown to exist with competing enterprises are not wholesome, that they do not promote competition, but on the contrary tend as a cover and conduit for secret arrangements and understandings in restriction of competition through the agency of the banking house thus situated.

SECTION 11.—RAILWAY REORGANIZATIONS AS AN INSTRUMENT OF CONCENTRATION.

Our archaic, extravagant, and utterly indefensible procedure for the reorganization of insolvent railroads has furnished these banking groups the opportunities of which they have not been slow to avail themselves, of securing the dominating relation that they now hold to many of our leading railroad systems. At one time or another within the past 30 years the bulk of our railways have gone through insolvency and receivership. The proceedings are sometimes instigated by the management through a friendly creditor (and are then generally collusive in their inception) or through the trustee for bondholders with the cooperation of the company. The railway company admits its insolvency, consents to the receivership, and one or more of the officers under whose administration insolvency was brought about, or their nominees, is made a receiver, and sometimes the sole receiver. Neither creditors nor stockholders, who are the parties really interested, are notified or have an opportunity to be heard either on the question of insolvency or of the personnel of the receivers. The stage has been set in advance, and so we find that simultaneously with the appointment of the receivers, or perhaps before, a self-constituted committee is announced, frequently consisting of men well known in the financial world, most of whom have no interest in the property, selected by a leading banking house. They invite the deposit of securities for mutual protection.

This committee in due course presents a plan for the reorganization of the property. If the security holders do not like it, their only alternative is to form another committee, if they can arrange to combine their scattered forces and find influential men who have the courage

to oppose the banking house and who can finance the cash requirements of these colossal transactions in hostility to the banking house that was first in the field. It is not easy to find such men. It is becoming daily more difficult, and it is well-nigh impossible to find rival banking houses to lead the opposition.

The usual outcome has been that the defenseless security holders take whatever plan is offered, however unjust, as against the alternative of being entirely wiped out through the sale of the property under foreclosure. There have been rare exceptions, before the power of these banking houses became irresistible, when the security holders have wrung concessions through revolt.

These plans have usually provided that the securities of the new or reorganized company shall be placed for a term of years in a voting trust named by the bankers. In that way and as the result, also, of reorganizations in which there was no voting trust, but in which the initial officers and directors were named by the bankers as reorganization managers, banking domination of the following railroad systems was secured by Messrs. Morgan and Kuhn, Loeb & Co.:

First. The Baltimore & Ohio, where Kuhn, Loeb & Co., with Speyer & Co., were the reorganization managers, the plan of reorganization being approved by J. P. Morgan & Co., and Mr. Coster, of that firm, becoming a voting trustee.

Second. The Chesapeake & Ohio, where the reorganization managers were Drexel, Morgan & Co., as the present firm of J. P. Morgan & Co. was formerly named.

Third. The Cincinnati, Hamilton & Dayton, where Morgan & Co. were the reorganization managers and Mr. Morgan is a voting trustee, the voting trust being still in force.

Fourth. The Chicago Great Western, where Morgan & Co. were the reorganization managers and Mr. Morgan and his associate, Mr. Baker, are voting trustees, the voting trust being still in force.

Fifth. The Erie, where Morgan & Co. were the reorganization managers and Mr. Morgan became a voting trustee.

Sixth. The Northern Pacific, where Morgan & Co. were the reorganization managers and Mr. Morgan became a voting trustee.

Seventh. The Pere Marquette, which was reorganized by Morgan & Co.

Eighth. The Southern, which was reorganized by Morgan & Co., Mr. Morgan and Mr. Baker becoming voting trustees and still continuing as such.

Ninth. The Reading, which was reorganized by Morgan & Co., Mr. Morgan becoming a voting trustee.

Tenth. The Union Pacific, which was reorganized by Kuhn, Loeb & Co.

During all this time the property is in the possession of the court through the receivers. The reorganization proceedings are purely extrajudicial. The court has nothing to do with them. Meantime the court authorizes the receivers to borrow money for all sorts of purposes and to issue receivers' certificates, which are usually negotiated through the committee or its bankers, who have in the interim gathered in the bonds and stock of the security holders, who have nowhere else to go.

Generally, after years of delay, the property is put through the form of a sale, but there is no bid except that of the committee, which

pays by surrendering deposited securities. If a security holder has failed to deposit with the committee he gets nothing or whatever pittance may represent his infinitesimal share of the upset or minimum price fixed by the court. The cost to the security holders of the proceeding in any of the cases named is estimated to be anywhere between $500,000 and $1,000,000 for receivers, bankers, committee fees, lawyers, etc.

Nowhere is any protection offered to the security holder against oppression or injustice in the plan or its execution or otherwise. No constituted authority supervises the vast expenses he is required to pay. The bankers and the committee are made the sole judges on that and on every other conceivable question, including their own commissions and charges and those of the committee. The court has nothing to do with the arrangement and is powerless to control it.

This is briefly an outline of the process by which, as the result of real or fancied insolvency, these banking houses have come into control of many railroad systems. The remedy is simple if the Federal Government has the power to apply it to railroads and industrial corporations (for the processes and abuses in the latter class are the same) engaged in interstate commerce. It is as follows: Enact the procedure provided under the Companies Acts of Great Britain, whereby the plan on reorganization is placed under the direction and control of the courts. If the plan is just and receives the consent of three-fourths of each class of security holders it becomes binding on the others. If it is unjust a single share can defeat it. No foreclosure or pretended sale is necessary. The years of delay that disgrace our administration of these properties by the courts is unknown. The receivers, instead of being selected, as is usually the case with us, by a combination of the choice of the discredited management and nominee of the court, in which real owners of the property have no voice, is selected under the English law by the votes of those interested in the property. If they fail to agree the official receiver acts at a comparatively nominal cost. No sale of the property is involved. The reorganization is accomplished without it. Six months is the average duration of such a proceeding in England, and the cost is well below 10 per cent of what it is with us. The owners of the property get back their property and with it their right to control it, and no voting trusts are found necessary.

In so far as concerns interstate railroads we recommend that the Interstate Commerce Commission be empowered, subject to review by the courts, to supervise every plan of reorganization and the issue of securities thereunder, to hear objections and to disapprove any plan that it may find inequitable in its issue or distribution of securities. Congress, in our judgment, has the unquestioned power to delegate this duty as an important feature of interstate rate making as affected by security issues.

SECTION 12.—SUPERVISION OF SECURITY ISSUES OF INTERSTATE CORPORATIONS AND ENFORCING COMPETITIVE BIDDING THEREOF.

Your committee further recommends as another step in the direction of releasing interstate railroad corporations from the control of these issuing houses that their security issues generally be placed

under the supervision of the Interstate Commerce Commission. The cost of financing their securities and the results realized from their sale enter quite as largely into the eventual cost of construction and affect the question of rates as closely as does any other item of cost. It is at least quite as germane to rate making as are the methods of accounting showing such cost, which are now being effectively supervised by the commission.

On the same theory State commissions all over the country are exercising the right of supervising the details of bond and stock issues of State corporations and the prices at which their securities shall be sold.

Securities should be disposed of only upon public or private competitive bids, or under regulations to be prescribed by the commission and with full powers of investigation that will discover and punish combinations to prevent competition in bidding.

The power of Congress to regulate the sale of securities of industrial corporations engaged in interstate commerce is more doubtful and no recommendation with respect thereto is made at this time.

SECTION 13.—INVESTMENTS OF NATIONAL BANKS.

The national banks in the great cities are exceeding their charter powers in the character of the business they are conducting and from which their principal revenues are derived. They are acting as promoters, underwriters, and houses of issue for the securities of railroad and industrial corporations. Their activities have extended even into foreign countries and to highly speculative and undeveloped enterprises, through the thin disguise of the so-called security companies that are attached to them in the manner above described.

Some of them maintain separate departments and selling organizations for the sale of bonds as an important part of their business, and they advertise such securities for sale by circular in the public press. At times these bonds are acquired and paid for by them out of the bank's assets before being sold. At other times they are contracted for and underwritten, but are wholly or partly disposed of before being paid for. They also own as above stated large amounts of bonds for permanent investment.

Your committee can find no semblance of authority for these operations other than for the investment of their resources in bonds, and no express authority for the latter other than as regards bonds of the United States Government. The terms of the banking act would seem to negative the existence of such power and the decisions tend in the same direction.

Revised Statutes, section 5136, provide as follows:

> Corporate powers of associations: * * *.
> Seventh. To exercise by its board of directors, or duly authorized officers or agents, subject to law, all such *incidental* powers as shall be *necessary* to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this title.

In Leach *v.* Hayes (31 Iowa, 69, 74), where the question was involved of the right of a national bank to invest in United States

Government bonds, the right was sustained on the ground that it is the policy of the Government to encourage the purchase and sale of its bonds and to facilitate transactions in them.

In First National Bank of North Bennington *v.* Town of Bennington (16 Blatch., 53, 56), it was held that a national bank has the right to buy *coupons* of State bonds on the ground that they are promissory notes within the statute and that they are also evidences of debt. The court added that no intention of its views concerning the right to purchase and hold the bonds was intended.

The courts of Pennsylvania decided in Bank of Allentown *v.* Hoch (89 Pa., 324, 327); and in Fowler *v.* Scudder (72 Pa., 456) that a national bank is not authorized to act as a broker or agent in the purchase of bonds and stocks.

See also Weeker *v.* First National Bank (42 Mo., 581); First National Bank *v.* National Exchange Bank (92 U. S., 122); California Bank *v.* Kennedy (167 U. S., 362).

Chief Justice Waite, in a leading case, remarked that while dealing in stocks is not expressly prohibited, such prohibition is implied from the failure to grant the power. (First National Bank of Charlotte *v.* National Exchange Bank of Baltimore, 92 U. S., and other cases referred to on p. 45 of Bolles on National Bank Act.)

The Supreme Court of the United States, in the comparatively recent case of First National Bank of Ottowa *v.* Converse (209 U. S., 425), held that a national bank can not invest its surplus or any other portion of its means in the shares of a savings or national bank or other corporation.

There is no distinction in the phraseology between the power of a national bank to buy bonds and to buy stock unless it be included in the power of "discounting and negotiating * * * evidences of debt." This seems to us a strained construction. On the demand of the comptroller they have parted with their stocks, but he seems to have made no protest as yet against the holding of bonds. And so they continue to hold, buy, sell, and deal in them.

While the law narrowly restricts the taking of bonds and stocks as above described for present debts it grants the broadest authority for securing past debts. To this end it may take the bonds and stocks of any kind of corporation. (Touterloit *v.* Whitted, 9 N. Dak., 467.)

There is at least grave doubt of the power of national banks to buy and sell bonds. Certainly they were not intended to be issuing houses, security-investing companies, or dealers in securities or promoters, and should be expressly prohibited from becoming such.

Whilst the committee was unable to ascertain the sources of the abnormal profits of banks controlled by the inner group, such as the First National, the Chase, and the National City Banks, and of the Guaranty and Bankers' Trust Cos., the surface indications point to transactions of this character as having largely contributed to that result.

The bond investments of banks, although of doubtful legality under existing law, stand on an entirely different footing. We are of opinion that national banks should be expressly empowered to invest 25 per cent of their capital and surplus in State, city, and county bonds and in mortgage bonds of corporations that have con-

tinuously paid their interest for not less than five years next preceding their purchase or whose operations show that as to newly issued bonds the corporations had earned sufficient on their then operating properties to pay the interest on the newly issued bonds during each year of that period.

The business of issuing and buying new and untried bonds is not, however, the proper function of a bank. Its resources should be available and should be devoted to supplying the needs of the commercial community. They would doubtless be so employed if the attractions of promotion and syndicate transactions were removed from them and their officers. A further objection to clogging a bank with fixed investments in new and untried bonds, however meritorious (and we are not criticizing the merit or genuineness of the investments), lies in the fact that in times of panic and stress, when the assets of a bank should be most liquid, these newly issued and undigested securities are the least readily convertible into money.

We have been much embarrassed in our consideration of these questions affecting the limitation on the powers and activities of national banks and of the recommendations that should be made concerning them by the fact that banks and trust companies organized under State laws in some States have been accorded the privilege of owning and holding bonds and stocks and that they have other powers which are denied to national banks. We are reminded that if the activities of the national banks are to be too severely circumscribed they may be converted into State institutions to the detriment of the national banking system.

Due weight has been given to these considerations in the conclusions we have reached. We are persuaded that the States will follow the lead of the Federal Government and will cooperate in enforcing upon our banking institutions conservatism and in confining them to their legitimate purposes. That situation will, in our judgment, in any event right itself by the greater confidence that national banks will enjoy and the business that will thereby be attracted to them by their greater conservatism and by reason of the fact that their funds and those of their depositors, instead of being locked up in fixed investments as the inevitable result of their engaging in these ventures, will be available for the current needs of their customers.

The enforcement upon national banks of proper limitations in the use of their funds will serve also to make them less attractive objects of control by the great issuing houses, and thus help to check the recent alarming movement in that direction. When the credit and funds cease to be available for absorbing the security issues of these houses, the incentive to domination will cease to exist.

If by cooperation between Congress and the Legislatures of the States of New York, Massachusetts, and Illinois the resources of the national and State banks and trust companies in the cities of New York, Boston, and Chicago and of the four great life insurance companies of New York can be removed from the influence of the banking groups above described by limiting the use of their funds strictly to the legitimate purposes to which such trust funds should be put, we will have gone a long way toward halting the rapid onward march of this dangerous concentration of control of money and credit.

Your committee notes that these banking groups have shown no disposition toward acquiring control of savings banks in the States in which their investments are rigidly restricted.

SECTION 14.—PUBLICITY OF ASSETS AND OF NAMES OF STOCKHOLDERS OF NATIONAL BANKS.

The usefulness of national banks as instrumentalities of the banking groups which have been described, particularly as outlets for security issues, would be still further curtailed if their assets other than the names of borrowers were open to public inspection. In this way it would be possible to know exactly what use was being made of a bank's funds. The investment of a disproportionate part thereof in given securities would be made more difficult.

A depositor is entitled to have the information on which to determine for himself whether the bank in which he has his money is secure. And prospective investors in the stock of a bank are entitled to know what its property is. A bank is such a sensitive organism that the more of its affairs are known to the public the more completely will it secure the public confidence.

Mr. Murray, the Comptroller of the Currency, expressed himself strongly in favor of publicity both as regards this subject and publicity of the names of stockholders. No sufficient reason has been urged against it (R., 1378, 1379):

Q. Looking at the subject from the point of view of justice to the stockholders and depositors, in your judgment is it not but fair to them that they should know of what the assets of the bank consist?

A. I certainly think it is. Their money is invested. It is their money and the depositors' money involved in these securities, and I see no reason why they should not know, aside from the other effects it might have as I have stated.

* * * * * * *

Q. As to the list of stockholders, do you know why that should be regarded as a secret?

A. I do not. I think the list of stockholders of every national bank should be as public as the morning newspaper.

Q. That would require a change in the law, would it not?

A. No; the law now says that the banks shall keep in public view a complete list of its stockholders.

Q. It is only available to stockholders, however, is it not?

A. No; it is available to stockholders and to the assessing officers of the different localities.

Q. It is not available, is it, to a depositor who wants to know who really owns and controls the bank with which he is doing business?

A. No; it is not; not unless the bank cares to give it to him.

Q. I mean it is not legally available to him.

A. No.

Q. It ought to be, ought it not?

A. I think so. My view is that the lists of stockholders of national banks ought to be posted publicly in the lobby, for everybody to see who wants to see.

Mr. Schiff's view is as follows (R., 1690):

Q. As a director and stockholder in banks and trust companies, Mr. Schiff, do you see any objection to requiring the banks to make public the lists of their assets?

A. The more publicity the bank gives the better it will be.

Q. You see no objection to such publicity as to what their assets are?

A. No; I see no objection.

Q. Do you not see many manifest advantages in it?

A. I do.

Q. Would it not, in your opinion, lead to more careful and conservative management in the selection of their securities?
A. I think it would.

Mr. Davison also approved of the assets of banks and trust companies being published, but disapproved of the publication of lists of their stockholders. (R., 1872, 1873.)

Whilst, of course, Congress can not enforce the publication of the assets and names of stockholders of State banks and trust companies, it can set an example by making such provision in the case of national banks, and your committee recommends that it do so.

SECTION 15.—SECURITY HOLDING COMPANIES AS ADJUNCTS TO NATIONAL BANKS.

Your committee is of opinion that national banks should not be permitted to become inseparably tied together with security holding companies in an identity of ownership and management. These holding companies have unlimited powers to buy and sell and speculate in stocks. It is unsafe for banks to be united with them in interest in management. The temptation would be great at times to use the bank's funds to finance the speculative operations of the holding company.

The success and usefulness of a bank that holds the people's deposits are so dependent on public confidence that it can not be safely linked by identity of stock interest and management with a private investment corporation of unlimited powers with no public duties or responsibilities and not dependent on public confidence. The mistakes or misfortunes of the latter are too likely to react upon the former. However profitable the participation of the bank, whether under the guise of a mere lender of money or underwriter or purchaser of securities in which the security company is interested, the incentive to the bank to participate in these adventurous transactions is one that should be removed beyond the reach of its officers.

The whole arrangement is a mere pretext behind which the bank's officers are shielding themselves in making money for the bank's stockholders through the prestige, resources, and organization of the bank and by means that are forbidden to the bank.

They are so organized that the stock of the holding company must always be owned by the same persons who own the stock of the bank and in the same proportions, while no person not a director of the bank may be a director of the holding company, and finally, the stock of the holding company must be held by the officers of the bank as trustees. The bank and the holding company are thus one and the same association of persons and must always remain such.

Mr. Baker thus described the purpose of the stockholders of the First National Bank in organizing the First Security Co. (R., 1431):

Q. Then the purpose of organizing the security company was to do things that the bank could not lawfully do. Was that it?
A. Yes, sir; to do things that they were not specially authorized to do.

* * * * * * *

Q. This was a means, then, of really carrying on the same business as you had been carrying on before without coming in contact with the law?
A. Yes, sir.
Q. That was the purpose of it?
A. Yes, sir.

Under these conditions to say that acts done in the name of the holding company are not the joint acts of the persons who alone constitute the bank and therefore the acts of the bank flies in the face of common sense.

It would be discreditable to the law if it sanctioned such a palpable evasion of its prohibitions. Your committee does not believe it does and advises that the Comptroller of the Currency give notice to national banks upon which these holding companies have been engrafted that the arrangement is in violation of the national banking act and that unless terminated proceedings will be taken to forfeit their charters.

SECTION 16.—RELATIONS OF OFFICERS AND DIRECTORS TO NATIONAL BANKS.

(*a*) In borrowing from their banks.
(*b*) In exchanging loans between bank officers and directors.
(*c*) In receiving commissions or compensations for loans.
(*d*) In participating in syndicate underwriting operations in which these banks are or become interested.

(*a*) It appears from the testimony that it is customary for officers and directors to borrow from their banks. The comptroller tells us that this has been a prolific cause of bank failures. (R., 1380, 1381.) The leading bankers who were examined seemed to agree in the main that officers should be prohibited from thus borrowing, but that it should be permitted to directors. (Reynolds, R., 1642, 1643; Schiff, R., 1677, 1678; Davison, R., 1975, 1976.)

It was argued that if such a prohibition were applied to directors banks would often lose valuable business and men of competency and substance would not thus restrict themselves by becoming bank directors.

There can be no question of the wisdom of prohibiting all loans to or for officers and all financial transactions between them and their banks, nor that the prohibition should be made so broad and all-embracing as to render evasion impossible. It is too much like smoking in a powder house.

We have reached the conclusion, but not without hesitation, that this prohibition should not extend to directors. No loans should, however, be made to them or for their ultimate benefit and no transaction permitted between them and their banks without ample previous notice of the transaction to their codirectors, nor unless the details are first spread in full on the minutes of the meeting at which the resolution authorizing the loan is passed.

(*b*) The use by officers of banks and trust companies of their institutions, either openly or by subterfuge, in exchanging loans or making loans to one another or to brokers and others on securities that are being carried for them or in which they have an interest should also be prohibited. All persons who knowingly procure such loans to be made should be included within the prohibition.

Every loan made by any national bank to or in the interest of an officer of another national bank or of a State bank or trust company

should be under the same conditions as a loan made by a national bank to one of its directors, except that the comptroller shall not make such loans public.

Any loan or application for loan or any other transaction made in the interest or for the eventual benefit of an officer or director of a national bank—either alone or with others—or upon securities wholly or partly belonging to such officer or in which he is interested, should be required to be made in the name of such officer or director. It should be made a misdemeanor to apply for or secure money or to make or attempt or abet or become party to any transaction under cover or to fail to make full disclosure. The prohibition should be made sufficiently broad to apply to bankers, brokers, and others who borrow from banks on the securities they are carrying for the officers of these banks.

It is believed that these regulations will go far toward curbing speculative transactions by officers of banks with the funds of their depositors and will promote the independence of these officers.

(*c*) The Comptroller of the Currency in his report for 1911 made the following statements and recommendations on the subject of officers of national banks receiving commissions for compensation on loans made by their banks:

> An amendment forbidding any officer of a national bank to directly or indirectly receive or accept money or other valuable thing from any borrower from the bank as a reward, inducement, or consideration for obtaining the loan from the bank of which he is such officer should also be enacted.
>
> The dishonest practice by officers of national banks of receiving personal compensation for loans made by the bank is a growing evil and has already reached such proportions as to call for criminal legislation on the subject. In this manner either the bank is defrauded of lawful interest which it would otherwise receive or usurious interest is exacted of a borrower by the corrupt officer. A secret reward to the officers is sometimes a deliberate bribe for obtaining a loan on insufficient security.
>
> It is recommended that the taking or accepting of money or other valuable thing from a borrower by any officer of a national bank for his own personal use as a reward, inducement, or consideration for obtaining the loan from the bank of which he is such officer shall be made an offense and punished by imprisonment in the penitentiary.
>
> A law should be enacted determining the period during which any person can be prosecuted, tried, or punished for offenses under the national-bank act.

We heartily concur in these views and recommendations.

(*d*) Officers and directors of national banks should be prohibited from participating in syndicates, promotions or underwritings of securities in which their banks are or may become interested. A like situation existed in the life insurance companies of New York prior to the investigation of these companies in 1905. It was there disclosed that some of the companies and their officers and directors were in the habit of underwriting large blocks of securities for which they received commissions and that the securities thus underwritten frequently found their way among the assets of the companies. This was stopped by the legislation of 1906 which prevented the companies from thereafter engaging in such enterprises.

We recommend the same legislation with respect to national banks. The business of guaranteeing for a commission that bankers will sell an issue of bonds is not one in which a bank should engage with the money of its depositors for the benefit of the stockholders. Nor should the bank be permitted to buy from or through the issuing house or to lend upon any of the bonds that have been underwritten

by any of its officers or directors, so long as the syndicate is outstanding or for one year thereafter.

It may be that their judgment will not be consciously influenced by the fact that they will be relieved from their obligation to take the unsold securities and will thus earn their underwriting commissions to the extent that their bank purchases such bonds, but the subconsicious influence and effect of the transaction is such that officers and directors should not be placed in that inconsistent attitude.

The same reasons apply to loans on such secutities. If the underwriting syndicate can borrow on the securities pending their sale from banks in which the underwriters are officers or directors, the underwriting profits are earned on a less investment than if they must take up and pay for the unsold securities. That is what they should do unless they can borrow on them from institutions to which they hold no trust relation. In other words, the officers and directors of banks and the banking houses that control them should not be permitted to exploit the institutions for their own profit. All the earnings that are made by the officers by the use of the bank's money should go to the banks.

Here again the denial to the committee of access to the books of the banks has made it impossible to present the extent of this practice. The fact was, however, admitted that such practices exist. (Hine, R., 2034.) Some idea of its extent may be gleaned from the California petroleum transaction to which reference has been made.

SECTION 17.—CURRENCY REFORM AND CONCENTRATION OF CONTROL OF MONEY AND CREDIT.

The general subject of currency legislation is in the hands of another subcommittee of the full committee. That topic has been accordingly carefully avoided by us so as to prevent duplication of work and possible conflict of authority.

The subjects come closely together, however, in various aspects, and notwithstanding the caution exercised by us there were a few occasions on which witnesses volunteered statements and opinions to the effect that the defects of our present currency system were largely responsible for the alleged condition described in the resolutions under which we are acting. These assertions are predicated on the requirements of the existing law for retaining a given cash reserve and the right to keep three-fifths thereof on deposit in banks in the reserve cities. It is claimed that in the exercise of this privilege moneys are deposited in New York banks and thus made available, to be loaned for speculative stock-exchange purposes.

It is not within our province to discuss the merits of this situation. That task has been assigned to and is being dealt with by our colleagues. The effect, if any, of that arrangement upon the questions that are being dealt with by us is, however, clearly within our jurisdiction and will be here briefly considered.

We are of opinion that the existing law as to reserves and the alleged defects in our currency system (as to which we express no opinion at this time) have no appreciable effect on the concentration of control of banking resources here under discussion. These funds

would in any even probably come to New York when they could be employed there to better advantage than in their respective localities. It appears that on November 1, 1912, 32 of the New York banks had $240,480,000 outstanding in stock-exchange loans that were placed by them directly for their correspondents independently of the deposits of these correspondents. It does not appear what proportion of the $483,373,000 of deposits of out-of-town banks that were then in these 32 New York banks represented reserves nor what part were kept there on account of the 2 per cent interest that is allowed on them. They are attracted there because, as stated, New York City is the only public money market and because they can be utilized in stock-exchange speculation.

The most effective way of keeping these funds at home, where they could perform their legitimate function of supplying the needs of trade and commerce in the section from which they are drawn, would be to limit the proportion of its resources that may be loaned by any bank on stock-exchange collateral.

Banks, like individuals, will use their money where it can be employed to the best advantage within legal limits. No currency system can or ever will be devised that will prevent that result.

We are not unmindful of the important and valuable part that the gentlemen who dominate this inner group and their allies have played in the development of our prosperity. There should be no disposition to hamper their activities if a situation can be brought about where their capital, prestige, and connections can be independently employed in free and open competition. Without the aid of their invaluable enterprise and initiative and their credit and financial power the money requirements of our vast ventures could not have been financed in the past, and much less so in the future.

It is also recognized that cooperation between them is frequently valuable, and often essential to the public interest as well as their own, in order to permit of the furnishing or guaranteeing of the requirements of our vast enterprises of the present day and of the still larger ones that are probably in store for us.

But these considerations do not involve their taking control of the resources of our financial institutions or of the savings of the people in our life insurance companies nor that they shall be able to levy tribute upon every large enterprise; nor that commercial credits or stock exchange markets and values shall wait upon their beck and call. Other countries finance enterprises quite as important as our own without employing these methods.

Far more dangerous than all that has happened to us in the past in the way of elimination of competition in industry is the control of credit through the domination of these groups over our banks and industries. It means that there can be no hope of revived competition and no new ventures on a scale commensurate with the needs of modern commerce or that could live against existing combinations, without the consent of those who dominate these sources of credit. A banking house that has organized a great industrial or railway com-

bination or that has offered its securities to the public, is represented on the board of directors and acts as its fiscal agent, thereby assumes a certain guardianship over that corporation. In the ratio in which that corporation succeeds or fails the prestige of the banking house and its capacity for absorbing and distributing future issues of securities is affected. If competition is threatened it is manifestly the duty of the bankers from their point of view of the protection of the stockholders, as distinguished from the standpoint of the public, to prevent it if possible. If they control the sources of credit they can furnish such protection. It is this element in the situation that unless checked is likely to do more to prevent the restoration of competition than all other conditions combined. This power standing between the trusts and the economic forces of competition is the factor most to be dreaded and guarded against by the advocates of revived competition.

Mr. Morgan was unable to name an instance in the past 10 years in which there had been any railroad building in competition with any of the existing systems. He attributed it to the restrictions of the Interstate Commerce Commission. The fact is, however, as we all know, that railroad construction is constantly being prosecuted—necessarily so with our rapidly growing population—but that instead of being done independently as formerly it is now done by the great systems.

It is impossible that there should be competition with all the facilities for raising money or selling large issues of bonds in the hands of these few bankers and their partners and allies, who together dominate the financial policies of most of the existing systems. There never will be, until this combination or community of interest can be dissolved by either closing to them the vaults of the banks, life insurance companies, and other trustees of other people's money or by opening them to meritorious competing enterprises.

Mr. Baker, when upon the witness stand, was unable to name a single issue of as much as $10,000,000 of any security, either in the railroad or industrial world, that had been made within 10 years without the participation or cooperation of one of the members of this small group. He subsequently wrote naming only the case of a single issue of $13,500,000. It was proved as to this instance by the notice issued to stockholders that Morgan & Co. were in fact largely interested and received a part of the profits from the issue. Yet it appears that within *six* years the *joint* account transactions of that group in *public issues alone* (not including any issues made by them alone or privately), amounted to over *three billion dollars*, of which a $10,000,000 issue would have been less than one-third of 1 per cent.

Issues of securities of local or small enterprises requiring moderate sums of money are frequently financed without the cooperation of these gentlemen; but from what we have learned of existing conditions in finance and of the vast ramifications of this group throughout the country and in foreign countries we are satisfied that their influence is sufficiently potent to prevent the financing of any enterprise in any part of the country requiring $10,000,000 or over, of which for reasons satisfactory to themselves they do not approve. Therein lies the peril of this money power to our progress, far greater than the combined danger of all existing combinations. The latter may at last fall of their own weight, especially if deprived of the protection and support

against competition referred to, or they may be disintegrated as unlawful.

The men who established our great industries have added to the prosperity of the country during the period of the upbuilding of these industries; but they none the less violated the law when they reversed the processes under which the country had grown and prospered by combining to throttle the competition upon which they had thrived. Whilst they were struggling against one another for supremacy they were a valuable asset to the country; since they have pursued the opposite policy they have become a menace.

The gentlemen constituting this inner circle have, however, violated no law in what they have done, so far as we are able to gather; but that is rather because of the loose, intangible character of this recently developed community of interest and because the law has not yet properly safeguarded the community against this form of control.

The acts of this inner group, as here described, have nevertheless been more destructive of competition than anything accomplished by the trusts, for they strike at the very vitals of potential competition in every industry that is under their protection, a condition which if permitted to continue, will render impossible all attempts to restore normal competitive conditions in the industrial world.

It accordingly behooves us to see to it that the bankers who require and are bidding for the money held by our banks, trust companies, and life insurance companies to use in their ventures are not permitted to control and utilize these funds as though they were their own.

If the arteries of credit now clogged well-nigh to choking by the obstructions created through the control of these groups are opened so that they may be permitted freely to play their important part in the financial system, competition in large enterprises will become possible and business can be conducted on its merits instead of being subject to the tribute and the good will of this handful of self-constituted trustees of the national prosperity.

Chapter Fourth.—Summary of Recommendations.

Summed up, the recommendations of your committee for enactment into law are:

SECTION 1.—AS REGARDS CLEARING-HOUSE ASSOCIATIONS.

A. Incorporation and regulation.—National banks should not be permitted to be members of clearing-house associations which are not bodies corporate of the States in which they are respectively located, and every solvent and properly managed bank or trust company should have the right, enforceable at law, to become and remain a member: *Provided,* That no clearing association should be required to admit a member having a capital stock not less than that required of a national bank in the same locality.

B. Examination of members.—Periodical examinations of members by a committee of the association should be prohibited, and instead all such examinations should be conducted by public authorities.

C. Issuance of clearing-house certificates.—Until other measures of relief are provided by Congress such associations should be permitted to issue certificates on the security of their members' assets for circulation amongst members to pay balances owing to each other at the clearing house, but only on condition that both the issuance and retirement of such certificates shall be under governmental control.

D. Regulation of rates for collecting out-of-town checks.—The practice now so general amongst such associations of compelling members, under pain of expulsion, to charge prescribed rates for collecting out-of-town checks should be prohibited.

E. Regulation of rates of discount and of interest on deposits, etc.—Such associations should be further prohibited from prescribing rates of interest or discount, rates of interest allowed on deposits, rates of exchange, or any other regulation not appropriate to its function of instrumentality for the collection of checks by banks of the same community one from another, that interferes with competition.

SECTION 2.—AS REGARDS THE NEW YORK STOCK EXCHANGE.

A. Conditions precedent to use of mails, telegraph, and telephone.—That Congress prohibit the transmission by the mails or by telegraph or telephone from one State to another of orders to buy or sell or

quotations or other information concerning transactions on any stock exchange, unless such exchange shall—

1. Be a body corporate of the State or Territory in which it is located.
2. Require corporations whose securities it lists to make a complete disclosure of their affairs, in particular any commissions paid to promoters, middlemen, or bankers out of any such security issue or the proceeds thereof.
3. Require a margin of not less than 20 per cent on all purchases of stock.
4. Prohibit as far as possible the execution of simultaneous or substantially simultaneous orders proceeding from the same person or persons to buy and sell the same security for the purpose of creating an appearance of activity therein and any orders the purpose of which is to inflate or depress the price of any security.
5. Probihit members from pledging securities purchased and carried for a customer for an amount greater than the unpaid portion of the purchase price, whether with or without the consent of such customer.
6. Prohibit members from lending to other members securities carried by the former for customers, whether with or without such customers' consent.
7. State in its charter the condition on which issues of securities shall be admitted or removed from the trading list, and provide for a judicial review of its action in this regard.
8. Keep books of account, showing the actual names and transactions of customers, and give access thereto to the Postmaster General.

SECTION 3.—AS REGARDS CONCENTRATION OF CONTROL OF MONEY AND CREDIT.

A. Consolidations of banks.—Two or more banks should not be permitted to consolidate unless such consolidation shall have been approved by the Comptroller of the Currency as in the public interest. He should have plenary power to forbid it where it threatens to result in undue concentration of control.

B. Interlocking bank directorates.—No person should be permitted to be a director in more than one national bank serving the same community or locality, nor should any person who is a director of any State bank or trust company, or is a partner or associate of any private banker or banking firm, be eligible as a director of any national bank serving the same community or locality, except that a director in a national bank may have one partner who is a director in a trust company.

C. Interlocking stockholdings amongst banks.—No part of the stock of any national bank should be permitted to be owned or held directly or indirectly by any other bank or by any trust company or holding company; and no national bank should be permitted to own or hold any part of the stock of any other bank or trust company.

D. Voting trusts in banks.—The transfer of any part of the stock of national banks to trustees solely or primarily in order that they may

vote the same at annual elections and other stockholders' meetings—"voting trusts," as they are generally known—should be expressly prohibited.

E. Cumulative voting.—Minority representation in the directorates of national banks should be secured by adopting the system of cumulative voting, i. e., by providing that at elections for directors each stockholder shall have as many votes as are equal to the number of his shares, multiplied by the number of directors to be elected, which votes may be cast solidly for one director or distributed among several, as the shareholder shall see fit. And no national bank should be permitted to purchase the obligations or lend upon the obligations or shares of any corporation whose directors are not chosen at elections conducted under the cumulative system of voting.

F. Security-holding companies as adjuncts to banks.—The stockholders of a national bank should be expressly prohibited from becoming associated as stockholders in any other corporation under agreements or arrangements assuring that the stock of such other corporation shall always be owned by the same persons or substantially the same persons who own the stock of the bank or that the managements shall be substantially the same.

G. Fiscal agency agreements.—Interstate corporations should not be permitted to enter into any agreements or other arrangements constituting any bank, banker, or trust company their sole fiscal agent to dispose of their security issues.

H. Private bankers as depositaries.—Interstate corporations should not be permitted to deposit their funds with unsupervised, unregulated, private bankers who do not disclose their resources or liabilities, who keep no reserve and are free to invest their depositors' money as they see fit.

I. Banks not to engage in underwritings.—National banks should be prohibited from directly or indirectly engaging in any promotion, guaranty, or underwriting, involving the purchase, sale, public offering, or issue, or other disposition of the securities of any corporation.

J. Investments of banks in bonds.—National banks should be expressly authorized to invest 25 per cent of their capital and surplus in the obligations of States, cities, counties, or other municipal subdivisions and in mortgage bonds of corporations on which interest has been regularly paid for five years or in case of new issues when the earnings of the corporation within the period were sufficient to have paid such interest.

K. Reform of railroad reorganization.—The method of reorganizing insolvent railroads should be reformed by adopting in substance the system provided by the companies' act of Great Britain, whereby, briefly stated, the plan and procedure on reorganization are placed under the direction and control of the courts, the receiver is elected by the votes of those interested in the property, no sale is involved, a single shareholder can defeat an unjust plan.

L. Railroad reorganizations under supervision of Interstate Commerce Commission.—The Interstate Commerce Commission should be empowered, subject to review by the courts, to supervise and review plans for the reorganization of interstate railroads and the issue of securities thereunder.

M. Interstate railroad security issues under supervision of Interstate Commerce Commission.—The security issues generally of interstate

railroads should be placed under the supervision and control of the Interstate Commerce Commission.

N. Competitive bidding for interstate security issues.—It should also be required that in the disposition of such issues competitive bids, public or private, be invited.

O. Borrowings by officers from their own banks.—Borrowings, directly or indirectly, by an officer of a national bank from the bank of which he is such officer, and all other transactions between them of a financial character, should be rigidly prohibited.

P. Borrowings by directors from their own banks.—Borrowings, directly or indirectly, by a director of a national bank or by any firm of which he is a member or any corporation of the stock of which he holds upward of 10 per cent, from the bank of which he is such director, should only be permitted on condition that notice shall have been given to his codirectors and that a full statement of the transaction shall be entered upon the minutes of the meeting at which such loan was authorized.

Q. Financial transactions of bank officers to be in their own names.—Loans or other transactions with a national bank in the interest of or for the eventual benefit of an officer or director of a national bank, either alone or with others, should be required to be made or done in the name of such officer or director.

R. Participations by bank officers and directors in underwritings.—Officers and directors of national banks should be prohibited from participating in syndicates, promotions, or underwritings of securities in which their banks are or may become interested as underwriters or owners or as lenders thereon.

S. Accepting and offering rewards for bank loans.—It should be made a crime for officers or directors of national banks to accept any compensation, commission, or other form of reward whatsoever, for making, directing, voting for, or otherwise promoting any loan of the bank's funds; and it should also be made a crime to offer any such inducement.

T. Limitation of number of directors of bank.—The number of directors of national banks should be limited to not less than five nor more than thirteen.

U. Publicity for assets and stockholders of banks.—National banks should be required to open to public inspection schedules of their assets other than the names of borrowers, and to make lists of their stockholders public.

Chapter Fifth.—Bills.

To carry out in part the foregoing recommendations, two bills have been drafted and accompany this report, namely:

First. A bill to amend the national banking laws, consisting of 19 sections, as follows:

A BILL To amend the National banking laws.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. That no national bank may be, become or remain a member of, or otherwise affiliated or connected with, any voluntary or unincorporated organization performing any of the functions of a clearing house or clearing-house association; nor shall such bank be, become, or remain a member of or otherwise affiliated or connected with any incorporated clearing-house association or with any agency or organization performing similar functions except under the following conditions:

First. Such association must have been created a body corporate by the State or Territory in which such national bank is located and doing business or by an adjoining State or Territory.

Second. The membership of such association must be limited to incorporated banks and trust companies by the charter or articles of incorporation of such association or the law under which it exists, which must further provide that any solvent bank or trust company doing business within the prescribed territorial boundaries of the association, whether organized under Federal or State law, having a capital stock not less than that required of a national bank in the same locality, upon payment or tender of the fees fixed by the association and upon compliance with any other conditions prescribed by the association and which must be reasonably necessary to the performance of the legitimate functions of membership in such association as hereinafter stated, shall be entitled to become and remain a member and freely to enjoy its facilities and may enforce such right by summary process in any court of competent jurisdiction; that no member shall be suspended or expelled or deprived of the enjoyment of the equal facilities of such association without the approval in writing first obtained by the association from the superintendent of banks or like official of the State or Territory in which the member so affected is incorporated if there be such official, or of the Comptroller of the Currency if the member in question is a national bank: *Provided*, That the association shall by its charter prescribe its territorial boundaries and may thereafter upon application for membership determine in the first instance whether the applicant is solvent, which determination shall however be subject to review and revision by the Comptroller of the Currency if the applicant is a national bank or of the corresponding State official if the applicant is a State bank or trust company: *And provided further*, That such determinations shall thereafter be subject to further review and revision by any court of competent jurisdiction by summary process at the instance of such association or of such applicant.

Third. The charter or articles of incorporation of such association, or the law under which it exists, may authorize the association in its discretion or that of its constituted authority to issue certificates on the security of members' assets to the extent that it shall determine that it and its members are adequately secured against loss, for use solely amongst members and which shall not be otherwise transferable, to pay debit balances owing by members to each other at the clearing house of such association, on condition that such certificates shall be the joint and several obligations of the several members of the association and that the same shall not be required to be redeemed by any member to whom issued except after due notice and upon the approval of the Comptroller of the Currency, if the member shall be a national bank, or of the Superintendent of Banks or corresponding official of the State or Territory in which the member shall have been incorporated, if such member be a State bank or trust company: *Provided*, That the members to which or for the account of which such certificates are issued shall be primarily liable to the holders thereof and to the association for the payment thereof, and that as between the several members of said association, other than the

member to which such certificates are issued, each member shall be liable and shall be required to contribute to the discharge of such defaulted obligations as shall remain unpaid by the members to which such certificates are issued, only in the proportion that its capital, surplus, and undivided profits, as shown by its official report next preceding such default, bears to the aggregate capital, surplus, and undivided profits of all the remaining members.

Fourth. The charter or articles of incorporation of such association or the law under which it exists must further expressly provide for the voluntary resignation or withdrawal of any member subject to the discharge of its obligations to the association and the members thereof and that all the acts of said association shall be subject to judicial review at the suit of any member or applicant for membership.

Fifth. The said charter or articles of association or the law under which said association is organized must prohibit it and its officers and managers from exercising or attempting to exercise, directly or indirectly, any control or influence over its members or over the conduct of their business except as expressly authorized by its charter and from making or attempting to make or enforce any rule, regulation, arrangement, or understanding in respect of any of the following prescribed subjects:

(a) The restriction or regulation of competition between the members of the association or any of them in any matter or thing connected with the business conducted by such members or authorized to be done by them under their respective charters;

(b) The fees, commissions, or other compensation chargeable by or payable to or to be charged by or paid to any member by its customers or otherwise for the collection by or through such member or its agent or correspondent of checks, drafts, notes, or bills of exchange drawn upon banks, bankers, trust companies, or others that are not members of such association or that are outside its boundaries;

(c) The rates of interest or discount chargeable or to be charged by or payable or to be paid to members on loans or discounts to or for customers or others;

(d) The rates of interest to be allowed by members on deposits; and

(e) The rates of exchange.

Sixth. No such clearing-house association shall make, undertake, or attempt any examination of the books of account, business, or transactions of any national bank except through the Comptroller of the Currency as herein provided and the official examiners authorized to be employed by him under this act. Any such association may, however, by requisition upon the Comptroller of the Currency, procure the appointment by said comptroller of such number of examiners to be nominated by the association and approved by the comptroller in addition to his usual staff of examiners as in the judgment of the association will be necessary or proper to secure the thorough performance of the work of the examination of the national banks members of such association at such stated intervals as the association may require in addition to the examinations prescribed by existing law: *Provided*, That there shall be paid monthly by said association to the comptroller the entire cost, charges, and expenses incurred by the comptroller in such further examinations.

Such examiners may be employed by the comptroller either for specified and successive terms not exceeding one year each or under such other arrangement as may be made with the association. All particulars gathered by the comptroller through such examiners or otherwise in the course of such examination or otherwise with respect to the names of borrowers, the amounts owing by them, respectively, and the collateral, if any, for such loans shall be retained in the custody of the comptroller and shall not be divulged to the association or to any of the members thereof other than to the member directly affected thereby, except that the comptroller may, in his discretion, impart such particulars to the association or to any authorized committee thereof whenever and only when in his judgment it shall be necessary to assure such association against the impending insolvency of any such member, and then only to the officials of the association intrusted with the power to receive such particulars. All data other than that concerning the names of borrowers, the amounts owing by them, and the collateral for such loans shall be at all times available to the association and to all members thereof and to every stockholder and depositor in such national bank and to all others who, in the judgment of the comptroller, shall request the same for proper purposes.

SEC. 2. No national bank shall be or become a party to any agreement, understanding, or arrangement, or shall be or become a member of or otherwise associated or connected with any corporation, association, exchange, agency, or other body, whether incorporated or unincorporated, having for its purpose or which shall engage in any of the prohibited acts specified in section 1 of this act: *Provided*, That nothing herein contained shall be construed to prohibit any national bank from establishing jointly with other banks or trust companies, or both, doing business in the same city, town, or village or within a radius of 50 miles, an agency for the collection of checks,

drafts, notes, and bills of exchange drawn only upon banks outside the locality in which such agency is conducted: *Provided further*, That the sole purpose of such agency be to save collection expense to the members in making such collections and that neither such agency nor any of the members thereof shall engage in any of the prohibited acts specified in this or in the next preceding sections.

SEC. 3. That no national bank shall act as clearing agent for any other national bank or for any other bank or for any trust company that is eligible to membership in said association in the same city, town, or other place in which such national bank is located in the collection of checks, drafts, notes, or bills of exchange drawn on any other bank or on any trust company in such city, town, or place, and no national bank shall clear through or collect through any other bank or any trust company in the same city, town, or other place in which such national bank is located any checks, drafts, notes, or bills of exchange drawn on any other bank or on any trust company in such city, town, or place.

SEC. 4. That no national bank shall make or enter into any agreement, arrangement, or understanding with any other bank or with any trust company having the purpose or effect of regulating its charges for collecting checks, drafts, notes, or bills of exchange for its customers or of fixing or regulating rates of interest or discount on such loans to customers or to others, or the rates of interest allowed by it to such customers on deposits, or rates of exchange.

SEC. 5. That no national bank shall knowingly enter into any agreement or arrangement with or lend money or credit to or on account of any person or corporation for use in connection with or to aid in participating in any combination, conspiracy, trust, agreement, contract, or understanding intended to or which shall have the effect to control, regulate, or affect the price or supply of any commodity or article of commerce in, or that is to be imported into, any part of the United States or subject territory; nor shall any such bank knowingly lend or advance any money or credit upon any securities issued pursuant to such combination, conspiracy, trust, agreement, contract, or understanding or in furtherance thereof or in connection therewith.

SEC. 6. Section fifty-one hundred and forty-four of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5144. ELECTION OF DIRECTORS—CUMULATIVE VOTING.—At all elections of shareholders for directors each shareholder shall be entitled to as many votes as are equal to the number of his shares of stock multiplied by the number of directors to be elected. He may cast all of such votes for a single director or may distribute them among the number to be voted for, or among any two or more of them, as he may see fit. In deciding all other questions at a meeting of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Shareholders may vote by proxies, but no officer, clerk, teller, or bookkeeper of such association shall act as proxy and no shareholder whose liability is past due and unpaid shall be allowed to vote. Every shareholder of a national bank heretofore formed shall hereafter exercise his right of voting according to the provisions of this act. No national bank shall accept or hold as security or collateral for any loan, discount, or advance made or negotiated by or with it or otherwise shares of stock or voting trust or other certificates representing any beneficial interest in any corporation unless there shall have been secured and reserved to the stockholders of such corporation the right of representation by cumulative voting as hereby defined."

SEC. 7. There shall be added to the national banking act, immediately following section fifty-one hundred and forty-four of the Revised Statutes, as hereby amended, a section to be known as section fifty-one hundred and forty-four-a, which shall read as follows:

"SEC. 5144-a. Every person voting at any meeting of shareholders for the election of directors, previous to casting his vote, whether such vote be cast in person or by proxy, shall file with the inspectors of election a statement in the following form (the blanks being properly filled in):

I reside in ——. I am the owner of record upon the books of —— Bank of —— shares of the stock of said bank, and have been the registered and beneficial owner in my own name and right for upward of ninety days next preceding the date hereof of the aforesaid number of shares of stock, for which I desire to cast my vote at the election for directors to be held on ——, or on any adjourned day of said meeting. I do not hold said stock in trust for or for the benefit of any person other than as appears on the face of the certificate of stock held by me and as registered on the books of the association, and no person or corporation other than as appears upon the face of said certificate and upon said books has any beneficial interest in any of said shares or in the proceeds thereof. I have not been paid or promised any money, compensation, inducement, or reward for my vote or proxy or as an inducement to me to cast such vote or give such proxy.

SEC. 8. Section 5145 of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5145. The affairs of each association shall be managed by not less than five nor more than thirteen directors, who shall be elected by the shareholders at a meeting to be held at any time before the association is authorized by the Comptroller of the Currency to commence the business of banking, and afterwards at meetings to be held at such time in January of each year as is specified therefor in the articles of association. The directors shall hold office for one year and until their successors are elected and have qualified."

SEC. 9. Section 5146 of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5146. Every director must during his whole term of service be a citizen of the United States, and at least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located for at least one year immediately preceding their election, and must be residents therein during their continuance in office; and for not less than three months next preceding the date of his election each director must be and he must remain during his entire term of office the registered and sole beneficial owner and holder, in his own name and right, and free from debt or claim, of at least one per centum of the then outstanding capital stock of the association of which he is a director: *Provided, however*, That if the capital of the bank shall not exceed one hundred thousand dollars he must own in his own beneficial right and interest not less than ten shares of such capital stock. The directors may be voted and paid such fees, salaries, or compensation, for their services as shall from time to time be prescribed by the stockholders."

SEC. 10. No officer or director of a national bank shall receive or be beneficiary either directly or indirectly, of any fee, brokerage, commission, gratuity or other consideration or inducement other than the salary or other compensation that shall have been voted him by the stockholders, for or on account of any loan, purchase, sale, payment, exchange, or transaction made by or on behalf of a national bank of which he is such officer or director.

SEC. 11. No officer or director of a national bank shall be an officer or director of any other bank or of any trust company or other financial or other corporation or institution, whether organized under State or Federal law, that is authorized to receive moneys on deposit or that is engaged in the business of loaning money on collateral or in buying and selling securities except as in this section provided; and no person shall be an officer or director of any national bank who is a private banker or a member of a firm or partnership of bankers that is engaged in the business of receiving deposits: *Provided*, That such bank, trust company, financial institution, banker, or firm of bankers is located at or engaged in business at or in the same city, town, or village as that in which such national bank is located or engaged in business: *Provided further*, That a director of a national bank or a partner of such director may be an officer or director of not more than one trust company organized by the laws of the State in which such national bank is engaged in business and doing business at the same place.

SEC. 12. No national bank shall lend or advance money or credit or purchase or discount any promissory note, draft, bill of exchange or other evidence of debt bearing the signature or indorsement of any of its officers or of any partnership of which such officer is a member, directly or indirectly, or of any corporation in which such officer owns or has a beneficial interest of upward of ten per centum of the capital stock, or lend or advance money or credit to, for or on behalf of any such officer or of any such partnership or corporation, or purchase any security from any such officer or of or from any partnership or corporation of which such officer is a member or in which he is financially interested as herein specified or of any corporation of which any of its officers is an officer at the time of such transaction.

SEC. 13. No national bank shall lend or advance money or credit or purchase or discount any promissory note, draft, bill of exchange, or other evidence of debt bearing the signature or indorsement of any director or for his benefit, or purchase any bond, note, debenture, or other security or obligation, or make or enter into any contract or agreement involving a profit or the payment of money or other valuable consideration to any director or to any firm of which such director is a partner or in which he is interested or of any corporation of which such director owns or controls, directly or indirectly, upward of ten per centum of the share capital, unless and until previous written notice of such intended transaction shall have been given to all the directors, nor unless action thereon shall first have been taken at a meeting of the board of directors duly called for the purpose and all the facts and details of the transaction have been first recorded on the minutes of such meeting.

SEC. 14. No officer or director of any national bank, and no firm or partnership of which any such officer or director is a member, shall be directly or indirectly beneficially interested or concerned in any guaranty, underwriting, syndicate, or other

agreement or arrangement or understanding involving the purchase or sale of any securities which shall be purchased, sold or dealt in by such bank and no such bank and no officer or director thereof shall knowingly purchase or sell or assent to the purchase or sale of any such securities.

SEC. 15. No national bank shall engage in or be or become directly or indirectly interested in or connected with any promotion, guaranty, or underwriting involving the purchase, sale, or disposition of the securities of any corporation, or make any agreement with respect thereto, or shall either alone or jointly with others offer any securities for sale by public advertisement or otherwise, or make or cause to be made or issued any statement or representation with respect to any such security: *Provided, however*, That nothing herein contained shall be construed to interfere with the disposition by such bank at public or private sale of securities or interests therein that may have been acquired by it as security for loans of money made by such bank or to which it may have derived title in the current conduct of its business of loaning money on collateral.

SEC. 16. No shares of stock of any national bank shall be held by any other bank or by any trust company or other financial institution or corporation or in trust for any such bank, trust company, or other financial institution or corporation that is authorized to receive deposits of money or to engage in the general business of banking or to buy and sell securities.

SEC. 17. It shall be unlawful for any officer or director of a national bank to be an officer or director of any other bank or other financial corporation that has a substantially identical management, officers, or directors as such bank or other financial corporation or of any corporation the shares of which can be bought or sold only in conjunction with the shares of such national bank or that is so related to the bank or its officers by identity or similarity of interest or management as to amount in effect to a control by either of such corporations or of the operations or management thereof by the other or by the interests that control, operate, or manage the other.

SEC. 18. That any national bank and any officer or director or other person violating any of the provisions of this act and any officer or director thereof assenting to such violation, shall be guilty of a misdemeanor, and upon conviction shall be fined not exceeding $5,000; and any such officer, director, or other person may also be imprisoned not exceeding two years.

SEC. 19. That this act shall take effect six months from and after its passage.

Second. A bill to prevent the use of the mails and of the telegraph and telephone in furtherance of fraudulent and harmful transactions on stock exchanges, consisting of 6 sections, as follows:

A BILL To prevent the use of the mails and of the telegraph and telephone in furtherance of fraudulent and harmful transactions on stock exchanges.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. No letter, package, circular, pamphlet, post card, newspaper, or other form of printed or written statement, or partly printed and partly written, and no quotation of any prices or any other advices, report, information, or representation concerning transactions in securities sold or offered for sale, or executed or to be executed, or that are listed or quoted on any stock exchange, and no statement, account, or memorandum of purchase or sale or other information, notice, or demand regarding any purchase or sale upon or on any stock exchange of any security shall be delivered or deposited or carried in the mail or at or through any post office or branch thereof or by any letter carrier, unless such exchange has been incorporated under the laws of the State or Territory at which its business is conducted, or unless the charter and by-laws of such exchange or the law under which it is organized shall contain regulations and prohibitions satisfactory to the Postmaster General safeguarding the transactions of such exchange, the character of the securities dealt in thereon, the genuineness of the quotations thereof, and all other information concerning such transactions that is to be carried through the mails and by telegraph and telephone beyond the limits of the State of the organization of said exchange against fraud and deceit in the following particulars:

(a) Requiring that before the securities of any corporation shall be listed, quoted, or dealt in upon any such exchange there shall be filed with the secretary of the exchange a statement formally approved by resolution of the board of directors of such corporation and verified by the oath of an officer thereof, before a person authorized to administer oaths at the place where the same is taken, setting forth, separately and in detail—

(1) The nature, amount, and value of the tangible and other property, assets, and effects of such corporation, its actual and contingent liabilities and obligations, the

volume of its business and net earnings year by year for at least three years next preceding the filing of such statement or for such lesser time as the corporation shall have been engaged in business; and a like statement with respect to every subsidiary or controlled corporation in which it is interested; and

(2) A copy of every contract or agreement in writing and a full statement and description of the terms of every contract, agreement, or understanding in parol connected with or affecting the authorization, issue, sale, or disposition of the securities admitted or sought to be admitted to the official list of said exchange and quoted and dealt in thereon, accompanied by a full disclosure and recital of all fees, profits, charges, commissions, or compensation paid or agreed to be paid or reserved to bankers, brokers, middlemen, or others in connection with the authorization, issue, sale, or disposition or intended sale or disposition of such securities and of the net amount realized or to be realized by such corporation therefor.

(b) Requiring that every such corporation shall, so long as any of its securities are listed on said exchange, file at least once in each year, and as much oftener as the regulations of such exchange may require, with the secretary of said exchange and with the Postmaster General for public inspection and use, a detailed statement of its gross receipts and expenses, its net earnings, and a particular statement of any and all agreements and transactions made or entered into, directly or indirectly, between the corporation and any of its officers or directors, or with any partnership, joint association, or corporation in which any such officer or director is interested and of the profits, emoluments, salaries, commissions, or other compensation or benefits derived, assured, or agreed to be paid to said officers or directors or to any such partnership, joint association, or corporation in which such officer or director is interested.

(c) That no outstanding securities having been so listed, quoted, and dealt in on said exchange shall be removed or stricken from the list or denied quotation thereon so long as any part of the issue of such securities originally admitted to such list is outstanding, except after due notice to all security holders affected by the proposed action, to be given in such manner as the charter and by-laws of the exchange, as approved by the Postmaster General, shall provide, subject to review by any court of competent jurisdiction.

(d) That the manipulation of securities and of the prices and transactions therein and all fictitious purchases and sales of securities and what are known as "matched orders" and "wash sales" thereof and all other dealings or transactions that are intended or the effect of which is to deceive or mislead the public shall be prohibited by regulations that shall be approved by the Postmaster General.

(e) That the members of such exchange shall be forbidden under penalty of expulsion and under such other penalties as may be prescribed by the law incorporating said exchange or the regulations thereof from hypothecating any security belonging to their customers or others for any amount in excess of the sum at the time owing such members thereon or from entering into any arrangement or agreement with such customer or others for such use of their securities.

(f) That the regulations of said exchange shall forbid its members, under penalty of expulsion and such other penalties as may be prescribed by the articles incorporating the exchange or otherwise, from lending securities pledged with them or from making any agreement with their customers with respect thereto.

(g) That the members of such exchange shall be required to keep full and accurate books of account of all transactions conducted by them upon such exchange, which shall contain the actual names and transactions of all their customers and the serial numbers of all securities or of the certificates representing the same that have been purchased or sold by them; that such books and all the records of the members of such exchange shall be at all times open to the inspection of the officers of the said exchange or of such examiners or other persons as they may designate for that purpose and to the Postmaster General and such persons as he may from time to time designate to make such examinations.

(h) That no orders, direction, or offer to purchase the securities of any corporation or joint-stock company shall be accepted or executed by any member of such exchange unless the broker shall at the time of such order or previously thereto have received from the customer a partial payment in cash of not less than twenty per cent of the market price of such stock on the day of purchase;

(i) That no securities of any corporation shall be listed, quoted, or dealt in on said exchange unless the charter or by-laws thereof contains express prohibition against the sale by any officer or director of any security of which he is not the owner at the time of such sale or the purchase or sale directly or indirectly of any security of any such corporation or any interest therein, either alone or jointly with others, unless or until previous written notice of such intended action shall have been given to the directors and entered upon the minutes of the meeting, nor unless all such transactions

shall be reported in writing to the secretary within five days after the same are made and entered upon the minutes of the next succeeding meeting of the board of directors.

SEC. 2. The Postmaster General may, upon evidence satisfactory to him that any letter, package, circular, pamphlet, post card, newspaper, or other form of printed or written statement, or partly printed or partly written, contains an order or statement or any quotation of prices or any other advices, report, or information concerning transactions in securities sold or offered for sale or executed or to be executed on any stock exchange which shall not conform to the requirements specified in section 1 hereof or that have failed to enforce such requirements shall make a written finding to that effect and shall thereupon instruct the postmaster not to receive for transmission in the mails any such letter, package, circular, pamphlet, postcard, newspaper, or other of printed or written statement, or partly printed or partly written, and at the same time shall transmit a copy of such finding to the principal office of every telegraph and telephone company and every national bank doing business in the United States or any Territory thereof or any of its possessions. Nothing in this section contained shall be so construed as to authorize any postmaster or other person to open any letter, package, circular pamphlet, post card, newspaper, or other form of printed or written statement, or partly printed or partly written, not addressed to himself.

SEC. 3. Any person who shall knowingly deposit or cause to be deposited in the mails, or who shall knowingly send or cause to be sent by mail any letter, package, circular, pamphlet, post card, newspaper, or other form of printed or written statement, or partly printed or partly written, concerning transactions in securities sold or offered for sale, or executed or to be executed, on any stock exchange, which shall not conform to the requirements of section one hereof, or who shall knowingly deliver for transmission or send or transmit by telegraph or telephone in any State or Territory of the United States or from the District of Columbia to any other State or Territory of the United States or to the District of Columbia any order or statement or any quotation of prices or any other advices, report, or information concerning transactions in securities sold or offered for sale or executed or to be executed on any stock exchange which shall not conform to the requirements specified in section one hereof shall be deemed guilty of a misdemeanor; and, on conviction, shall be fined not more than $1,000 or imprisoned not more than two years or both for the first offense; and for any subsequent offense shall be imprisoned not more than five years.

SEC. 4. Any telegraph or telephone company which shall knowingly send or transmit or furnish facilities for sending and transmitting any order or statement or any quotation of prices or any other advice, report, or information concerning transactions in securities sold or offered for sale or executed or to be executed on any stock exchange which shall not conform to the requirements specified in section one hereof or that shall fail to conform to any order issued by the Postmaster General pursuant to section two of this act shall be deemed guilty of a misdemeanor; and, upon conviction, shall be fined $1,000 for the first offense and for any subsequent offense shall be fined $2,500; and any officer or director who shall knowingly permit or suffer such order or statement or any quotation of prices or any other advices, report, or information concerning transactions in securities sold or offered for sale or executed or to be executed on any stock exchange which shall not conform to the requirements specified in section one hereof or that shall have been proceeded against as provided by section two hereof to be sent or transmitted or facilities therefor to be furnished shall be deemed guilty of a misdemeanor; and, upon conviction, shall be fined $1,000 or imprisoned not more than two years or both for the first offense, and for any subsequent offense shall be fined $2,500 or imprisoned not more than five years or both.

Sec. 5. Definitions.

1. Within the meaning of this act a "stock exchange" is a market or meeting place controlled by rules, on which only members are permitted to deal with one another on their own behalf or for their customers, and at which securities of corporations are bought and sold or offered for purchase and sale.

2. The term "security" or "securities" as used in this act shall include every bond, note, debenture, and other obligation and every share of stock or receipt or certificate therefor, and every certificate or beneficial interest or right of participation in the bonds, notes, debentures, or other obligations, or in the shares of stock or property of any corporation.

3. "Manipulation of securities" is hereby defined as the act or acts of any person, partnership, joint association, or corporation, either alone or by agreement, arrangement, or understanding, or in combination or participation with others or with another, directly or indirectly, in—

(a) Aiding, abetting, promoting, or engaging in or becoming pecuniarily interested in the actual or pretended purchase or sale, or both, or in executing or assisting in executing an order or orders for the actual or pretended purchase or sale, or both, of any security of any corporation that is listed or dealt in on any stock exchange or with

a series or succession of actual or pretended purchases and sales, or both, either for the purpose of giving to such transactions or to the market in such securities, or to the public, a false or misleading appearance of activity, or to artificially depress, inflate, or otherwise influence the market price thereof in order to sell or purchase or procure the sale or purchase of any of such securities of such issue, or to attract public attention to such securities to induce the purchase or sale thereof by others.

(b) Giving or causing to be given or in knowingly executing or causing to be executed upon any such exchange, directly or indirectly, or by or through any member thereof, any order, commission, or direction for the simultaneous or substantially simultaneous purchase and sale of any such security by or for or on behalf of the same persons or interests, whether accomplished by means of genuine or fictitious purchases or sales, or both.

4. A "matched order" and a "wash sale" are hereby separately defined as a sale or offer for sale or the pretended sale or offering for sale, directly or indirectly, of any security accompanied by or in conjunction with the purchase or pretended purchase or offer to purchase, directly or indirectly, the same security; or the pretended sale or purchase or attempt to sell or purchase any security with the purpose or intent of recording or procuring the recording of a price or quotation therefor.

SEC. 6. This act shall take effect six months after its passage.

These bills embody all the foregoing recommendations in relation to clearing houses and stock exchanges and such of the recommendations in relation to the concentration of control of money and credit as concern or may be carried into effect through the national banks.

There was not time to frame bills to carry into effect the remaining recommendations.

A. P. PUJO, *Chairman*.
WM. G. BROWN.
R. L. DOUGHTON.
H. D. STEPHENS.
J. A. DAUGHERTY.
JAMES F. BYRNES.
GEO. A. NEELEY.

Appendix A.

[H. Res. 429, Sixty-second Congress, second session.]

In the House of Representatives.

February 24, 1912.

Mr. Henry of Texas, from the Committee on Rules, reported the following resolution; which was agreed to:

Resolved, That in order to obtain full and complete information of the banking and currency conditions of the United States for the purpose of determining what legislation is needed, the Committee on Banking and Currency is authorized and directed to make a full investigation thereof, including all matters touched upon in House Resolution Numbered Four hundred and five within the jurisdiction of said committee; and the said committee is authorized, as a whole or by subcommittee, to sit during sessions of the House and the recess of Congress, to compel the attendance of witnesses, to send for persons and papers, to administer oaths to witnesses, and to employ experts, counsel, accountants, and clerical and other assistants.

The Speaker shall have authority to sign and the Clerk to attest subpœnas during the sessions or recess of Congress.

Appendix B.

[H. Res. 504, Sixty-second Congress, second session.]

In the House of Representatives,

April 22, 1912.

Mr. Pujo submitted the following resolution; which was referred to the Committee on Rules and ordered to be printed:

Whereas H. Res. 429 was heretofore passed for the purpose of directing the conduct of an investigation into certain of the matters covered by this resolution, and it has since been ascertained that said H. Res. 429 is insufficient in the delegation of its powers to permit of the scope of inquiry which is believed to be necessary as a basis for remedial legislation on the subjects covered by this resolution:

Resolved, That H. Res. 429 is hereby amended so that the same shall read as follows:

"Whereas legislation is now pending involving important changes in our national currency and monetary system and vitally affecting our national banks and other financial institutions, and various bills have also been introduced, and are now under consideration by Congress having for their purpose the amendment and supplementing of the Act approved July second, eighteen hundred and ninety, entitled 'An Act to protect trade and commerce against unlawful restraints and monopolies,' generally known as the Federal antitrust law; and

"Whereas bills are also pending or under consideration to regulate industrial corporations engaged in interstate commerce through Federal incorporation, supervision, and otherwise, and legislation is believed to be necessary to further control the incorporation, management, and financial operations of railroad corporations that are now subject to the jurisdiction of the Interstate Commerce Commission, including, among other things, the regulation of the issue and sale of their securities and the protection of minority stockholders; and

"Whereas it has been charged, and there is reason to believe, that the management of the finances of many of the great industrial and railroad corporations of the country engaged in interstate commerce is rapidly concentrating in the hands of a few groups of financiers in the city of New York and their associates in New York and other cities,

and that these groups, by reason of their control over the funds of such corporations and the power to dictate the depositories of such funds, and by reason of their relations with the great life insurance companies with headquarters in New York City, and by other means, have secured domination over many of the leading national banks and other moneyed institutions and life insurance companies in the city of New York and in other cities to which they direct such patronage and over the vast deposits of money and of the other assets of such institutions, thus enabling them and their associates to direct the operations of the latter in the use of the money belonging to their depositors and the stockholders and in the purchase and sale of securities and loans of money by such banks and other moneyed institutions and life insurance companies, and that these institutions and their funds are being used to further the enterprises and increase the profits of these groups of individuals from such transactions and to augment their power over the finances of the country and to control the money, exchange, security, and commodity markets, and prevent competition with the enterprises in which they are interested, to the detriment of interstate commerce and of the general public; and

"Whereas it has been further charged and is generally believed that these same groups of financiers have so intrenched themselves in their control of the aforesaid financial and other institutions and otherwise in the direction of the finances of the country that they are thereby enabled to use the funds and property of the great national banks and other moneyed corporations in the leading money centers to control the security and commodity markets; to regulate the interest rates for money; to create, avert, and compose panics; to dominate the New York Stock Exchange and the various clearing-house associations throughout the country, and through such associations and by reason of their aforesaid control over the aforesaid railroads, industrial corporations, and moneyed institutions, and others, and in other ways resulting therefrom, have wielded a power over the business, commerce, credits, and finances of the country that is despotic and perilous and is daily becoming more perilous to the public welfare; and

"Whereas the national banks and other moneyed institutions controlled as aforesaid are charged to have been, and to be, engaged in the promotion, underwriting, and exploitation of speculative enterprises and in the purchase and sale of securities of such enterprises, and in acquiring, directly or indirectly, stocks of other banking institutions and absorbing competitors and in using their corporate funds and credit for such purposes, either alone or in conjunction with those by whom they are controlled; and

"Whereas it is deemed advisable to gather the facts bearing on the aforesaid conditions and charges or in any way relating thereto or to any of the subjects above mentioned as a basis for remedial and other legislative purposes: Therefore be it

"*Resolved*, That the Members now or hereafter constituting the Committee on Banking and Currency, by a subcommittee consisting of the eleven members thereof already appointed under H. Res. 429 and by such substituted members as may be from time to time selected from the members of the said committee to fill vacancies in the subcommittee, is authorized and directed—

"First. To fully investigate and inquire into each and all of the above-recited matters and into all matters and subjects connected with or appurtenant to or bearing upon the same.

"Second. To fully inquire into and investigate among other things whether and to what extent—

"(a) Individuals, firms, national banks, and other moneyed corporations are engaged in or connected with the management of financial affairs of interstate railroad or industrial corporations, or life insurance companies, and what potential or other power they have or exercise over such corporations, and how and to what uses the bankable funds of such interstate railroad or industrial or other corporations are applied.

"(b) The marketing of the securities that have been from time to time issued by interstate railroad and industrial corporations has been by competitive bidding or otherwise.

"(c) Changes have been procured in the general laws of any of the States under which such interstate corporations are organized in the interest or upon the procurement of such corporations, and for what reason and by what methods and influences such changes were accomplished.

"(d) Individuals, firms, national banks, and other moneyed corporations interested in or in anywise connected with such interstate corporations are enabled by reason of their relations or connection with other interstate corporations or with other individuals, firms, national banks, moneyed corporations, or life insurance companies, or otherwise to prevent or suppress competition in the interest of such interstate corporations, or to protect or assist the latter in preventing or suppressing competition.

"(e) Such interstate corporations and the individuals, firms, national banks, and moneyed corporations are mutually benefited and protected against competition and otherwise by the relations existing between them.

"(f) National banks and other moneyed and other institutions are directly or indirectly owned, dominated, or controlled through their directors or through stock ownership, official management, patronage, or otherwise by the same persons, interests, groups of individuals, or corporations that are also directly or indirectly interested in other national banks or moneyed or other corporations located in the same city and in interstate corporations that are customers of said national banks and other moneyed corporations.

"(g) The same individuals are officers or directors of, or were or are directly or indirectly interested in or dominate or control, or heretofore dominated or controlled, in any way, more than one national bank or other moneyed corporation.

"(h) The funds or credit of national banks and other moneyed corporations or life insurance companies are or have been used or employed other than in making current loans to merchants or on commercial paper, by whose influence or direction such funds or credits were so used or employed, and particularly whether and to what extent such funds are or have been employed: First, in the purchase of securities from bankers or others in any way interested in or connected with such corporations; second, in the guaranty or underwriting of securities or syndicate transactions, either alone or in conjunction with others; third, in loans on notes secured by bonds, stocks, or other collateral; fourth, in loans on or purchases of stocks of other banks or of any trust or investment company or financial or moneyed corporation; and, fifth, in any form of investment alone or in joint account with others.

"(i) Any national bank or other moneyed corporation, whether directly or indirectly or whether through or by means of another corporation having substantially the same officers, management, control, or stockholders, or with stock paid for by the dividends of a parent or affiliated company, and, whether alone or with others, has acted as an issuing house or in offering securities to the public or to investors by prospectus, advertisement, solicitation, or otherwise, or has speculated or is speculating in stocks, and if so, the nature of all such transactions and the profits and all other details thereof.

"(j) The management and operations of the New York Stock Exchange and the New York Clearing House Association are, or may be, directly or indirectly, dominated, controlled, or otherwise affected by any individuals or groups of individuals who control or are influential in directing the use or deposit of the funds of national banks in the city of New York, or of interstate railway or industrial corporations, or life insurance companies, and the relations that the New York Stock Exchange and the New York Clearing House bear to such individuals and groups of individuals and to their financial transactions and to our commercial and financial systems and to interstate and foreign commerce.

"(k) Any individual, firm, or corporation, or any one or more groups of such individuals, firms, or corporations, may or can affect the security markets of the country through the New York Stock Exchange, or can create, avert, or compose panics by the control of the use and disposition of moneys in the banks and other moneyed or other corporations that are controlled by such individual, firm, or corporation, or by other means.

"(l) There is any connection between the relations of bankers, banking firms, and their associates to the railroad and industrial corporations engaged in interstate commerce, and the relations of such bankers, banking firms, and their associates to the national banks and other moneyed or other corporations, and the relations of any of these interests to any of the others that operate to protect such interstate corporations against competition or are or may be used for that purpose.

"Third. To investigate, find, and report the facts bearing upon the payment of political contributions to national campaign funds by or in the interest of national banks and interstate railroad and industrial corporations, and by all persons who are officers or directors thereof, anf by other persons who are directly or indirectly in control of or connected with such corporations, together with the amounts of such contributions and the circumstances attending the same.

"Fourth. To investigate the methods of financing the cash requirement of interstate corporations and of marketing their securities, and the relations of national banks and others to such transactions.

"Fifth. Said committee as a whole or by subcommittee is authorized to sit during the sessions of the House and during the recess of Congress. Its hearings shall be open to the public. The committee as a whole or by subcommittee is authorized to hold its meetings both during the sessions of Congress and throughout the recesses and adjournment thereof and in such cities and places in the United States as it may

from time to time designate; to employ counsel, experts, accountants, bookkeepers, clerical and other assistants; may summon and compel the attendance of witnesses; may send for persons and papers; and administer oaths to witnesses. The Comptroller of the Currency, the Secretary of the Treasury, and the Commissioner of the Bureau of Corporations, and their respective assistants and subordinates, are hereby respectively directed to comply with all directions of the committee for assistance in its labors, to place at the service of the committee all the data and records of their respective departments, to procure for the committee from time to time such information as is subject to their control or inspection, and to allow the use of their assistants for the making of such investigations with respect to corporations under their respective jurisdictions as the committee or any subcommittee may from time to time request.

"No person shall be excused from giving testimony or from answering any question or from otherwise disclosing any fact within his knowledge as an individual or as an officer or director of a corporation, or otherwise, or from producing any book, paper, or document on the ground that the giving of such testimony or the production of such book, paper, or document would tend to incriminate him, or for any other reason; but every person so testifying shall be granted immunity from prosecution with respect to any matter or thing concerning which he may be interrogated and as to which he shall truthfully make answer under oath upon such investigation. The Speaker shall have authority to sign and the Clerk to attest subpœnas during the recess of Congress."

Appendix C.

Committee on Banking and Currency,
House of Representatives,
Washington, D. C.

Gentlemen: In pursuance of the provisions of resolutions H. R. 405 and 429, relating to pending legislation affecting the national currency and monetary system, and in order to obtain full and complete information for the purpose of determining what legislation is needed, the Committee on Banking and Currency as a whole or by subcommittee is authorized and directed to make full investigation thereof, to sit during the sessions of the House and the recess of Congress, to compel the attendance of witnesses, to send for persons and papers, administer oaths to witnesses, and to employ experts, counsel, accountants, and clerical and other assistants.

In furtherance of this investigation you are respectfully requested to compile from the records of your bank as appears therein at the close of business on April 30, 1912, and promptly transmit to the Committee on Banking and Currency on the inclosures, the statistical and general information indicated.

The importance and value of the information requested make it necessary that the reports submitted by the banks be complete, accurate, for a uniform date, and promptly submitted. If the blanks do not contain sufficient space for the listing of all items, additional sheets of the same size should be used and attached to the proper schedules. The report should be signed and acknowledged by the president, cashier, or treasurer, and attested by the signature of three directors.

An addressed postage-free envelope is inclosed for the transmission of your report.

Respectfully,

A. P. Pujo,
Chairman Committee on Banking and Currency.

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

NAME OF BANK............................
Location............................

SCHEDULE "A."

Stocks, bonds, and other securities owned, as at the close of business April 30, 1912.

[Enter separately all stocks, bonds, and other securities owned by the bank, including bonds of the Federal, State, municipal, and county Governments, and the stocks and bonds of other banking institutions, railroad, coal, industrial, and steamship compani s, and public-service corporations.]

[The total of the items listed hereunder should agree with Item No. 3 on the balance sheet.]

Par value.			Description (and method by which acquired—if not purchased).	Date acquired.	Price paid (see opposite if not purchased).			Value carried on books.			Market value.		

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

NAME OF BANK............................
Location............................

SCHEDULE "B."

Securities purchased from officers, etc., as at the close of business April 30, 1912.

[Securities now owned by the bank purchased or otherwise acquired from any officer, stockholder, individual, firm, or corporation interested in or connected with this bank.]

[The items listed hereunder should also be included in Schedule A.]

Description of securities.	From whom acquired and how.	Date acquired.	Price paid (see opposite if not purchased).			Value carried on books.			Market value.	

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

NAME OF BANK..............................

Location..............................

SCHEDULE "C."

Loans to financial institutions and to individuals secured in whole or in part by stocks of financial institutions as at the close of business April 30, 1912.

[Loans made to any national, State, savings, or private bank, trust company or investment company, or individual, secured by stock in financial institutions.]

Name of institution.	Date of loan.	Amount of loan.	Market value of stock.	Number of shares held as collateral.

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

NAME OF BANK ....

Location ....

SCHEDULE "D."

Syndicate or underwriting operations.

[Enter under this schedule a list of all so-called syndicate or underwriting operations in which your bank has taken part during the last five (5) years with a brief description of the securities; total amount of the issue; the price which the syndicate or underwriters paid for the securities; the price at which they were marketed and the net profit to the bank. If any stock, either common or preferred, was given to the underwriting syndicate as a bonus or otherwise, state in detail such fact.]

Description of securities.	Total amount of issue.	Paid by syndicate or underwriter.	Price at which publicly marketed.	Net profit to the bank.	Further details.

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

NAME OF BANK........................

Location........................

SCHEDULE "E."

Due to and from banks as at the close of business Apr. 30, 1912.

DUE TO BANKS.

[The total of the items listed hereunder should agree with item No. 11 on the balance sheet.]

Name of bank.	Amount.			Name of bank.	Amount.		

DUE FROM BANKS.

[The total of the items listed hereunder should agree with item No. 6 on the balance sheet.]

Name of bank.	Amount.			Name of bank.	Amount.		

COMMITTEE ON BANKING AND CURRENCY, House of Representatives.

NAME OF BANK ....
Location ....

SCHEDULE "F."

Miscellaneous resources and liabilities as at the close of business April 30, 1912.

MISCELLANEOUS RESOURCES.

[The total of the items listed hereunder should agree with item No. 8 on the balance sheet.]

Title of account.	Amount.			Title of account.	Amount.		

MISCELLANEOUS LIABILITIES.

[The total of the items listed hereunder should agree with item No. 15 on the balance sheet.]

Title of account.	Amount.			Title of account.	Amount.		

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

NAME OF BANK..............................
Location..............................

SCHEDULE "G."

Officers, directors, and stockholders—Their stock holdings and loans.

Officers, directors, and stockholders.		Post-office address.		Shares owned.		Loans to officers, directors, and stockholders, and overdrafts.			
						Date.	Amount.		Description of securities held, or remarks.
Title in bank and family name.	Initials.	City or town.	State.	Number.	Date purchased.		As maker.	As indorser.	
President									

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

NAME OF BANK..............................
Location..............................

SCHEDULE "H."

A. JOINT OCCUPANCY:

If another banking institution occupies the same office—

1. Title of joint occupant..............................
2. Is it controlled by or does it control this bank?..............................
3. State manner and extent of control..............................
....
....
4. Has it practically the same officers and clerks?..............................

B. AFFILIATED FINANCIAL INSTITUTIONS:

1. What institutions are affiliated with this bank?..............................
....
....
2. Is stock of affiliated institutions owned by stockholders of this bank? ....
   a. If as a corporation, to what extent?..............................
   ....
   b. If as individuals, to what extent?..............................
   ....
3. Does transfer of one stock convey ownership of the other?..............................
....
4. Is stock held in trust for benefit of stockholders of this bank?..............................
....

C. How many banks have been merged in your present organization, either directly or indirectly, by the dissolution of other banks and the purchase of their business and assets? Give the names of these absorbed banks, their capital stocks, and the dates they were taken over..............................
....
....
....
....
....

I, ..., of the above-named bank, do solemnly swear
(Cashier, Treasurer, or President.)
that the above statement is true, and that the schedules attached fully and correctly represent the true state of the several matters therein contained, to the best of my knowledge and belief.

..............................,
Cashier.

Correct—Attest:

.... }
.... } *Directors*
.... }

STATE OF.............................. }
County of.............................. } *ss:*

Sworn to and subscribed before me this ...... day of ...., 1912, and I certify that I am not an officer or a director of this bank.

[SEAL.]

..............................,
Notary Public.

Committee on Banking and Currency,
House of Representatives.

Name of bank..................................

Location..................................

☞ To indicate the character of your bank put check mark (√) opposite the appropriate class below:
National bank.
State bank.
Mutual Savings Bank.
Stock savings bank.
Private bank.
Loan and trust company.

Balance sheet as at the close of business Apr. 30, 1912.

Resources.					Liabilities.				
1. Loans and discounts:					9. Capital stock paid in..........	....	....	....	....
(a) Secured by real estate..	....	....	....	....	10. Surplus and undivided profits	....	....	....	....
(b) Secured by other collateral..............	....	....	....	....	11. Due to banks (Schedule E)...	....	....	....	....
(c) All other loans..........	....	....	....	....	12. Individual deposits..........	....	....	....	....
2. Overdrafts....................	....	....	....	....	13. Government deposits..........	....	....	....	....
3. Securities owned (Schedule A).	....	....	....	....	14. Rediscounts..................	....	....	....	....
4. Banking house, furniture, and fixtures..................	....	....	....	....	....	....	....	....	....
5. Other real estate owned.......	....	....	....	....	....	....	....	....	....
6. Due from banks (Schedule E)..	....	....	....	....	....	....	....	....	....
7. Cash actually in bank.........	....	....	....	....	....	....	....	....	....
8. Miscellaneous resources (Schedule F).....................	....	....	....	....	15. Miscellaneous liabilities (Schedule F)...............	....	....	....	....
Total resources..............	....	....	....	....	Total liabilities..........	....	....	....	....

CAPITAL.

[Show all increases and reductions in capital by dates and amounts.]

Dates.	Original and increase.				Decrease and present.			
Capital at incorporation..........................	......	......	......	......	......	......	......	......
....	......	......	......	......	......	......	......	......
....	......	......	......	......	......	......	......	......
....	......	......	......	......	......	......	......	......
Present capital..................................	......	......	......	......	......	......	......	......
Total..	......	......	......	......	......	......	......	......

INSTRUCTIONS.

1. Loans and discounts: (a) Secured by real estate. This item should include mortgages owned.

3. Securities owned: This item should include premiums.

5. Other real estate owned: Under this item should be made to appear ground rents owned.

7. Cash actually in bank: Entries opposite hereto include:

Gold coin,
Gold certificates,
Silver dollars,
Silver certificates,
Subsidiary and minor coins,
Legal tender notes,
National bank notes,
Other actual cash or currency.

8. Miscellaneous resources: All items appearing in the general accounts of resources of this bank and not otherwise provided for should be included in this item and the same listed as indicated in Schedule "F." Some of the items which may appear are as follows:

Checks and other cash items,
Exchange for clearing house,
Transit and suspense accounts.

10. Surplus and undivided profits: The amount set opposite hereto should include accrued interest and any other amount set aside for specific purposes, less current expenses, interest, and taxes paid. In such States where provisions are made for guaranty funds similar to those for national bank surplus, such funds should appear hereunder.

12. All deposits, except deposits of the Federal Government, be they time, demand, checking, or saving accounts, should be included hereunder.

15. Miscellaneous liabilities: All items appearing in the general accounts of liabilities of this bank and not otherwise provided for should be included in this item and same listed as indicated in Schedule "F." Some of the items which may appear are as follows:

Certified checks,
Cashier's checks,
Money borrowed, etc.

And in general: When a general account standing on the books of this bank differs merely in terminology from those set up in the above balance sheet, the amount of such account should be carried to its proper place, if the accounts can be positively identified with the items on which report is specifically requested.

APPENDIX D.

Table showing shares of common stock of the Reading Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold	3,127,710	2,177,320	2,582,640	2,712,160	4,356,350	3,398,480	1,958,900	3,060,900	6,533,220	4,287,250	4,453,630	5,116,280	43,764,840
Shares transferred	604,734	162,247	165,112	166,813	265,295	282,747	463,307	148,063	206,514	265,222	162,813	257,906	3,150,773
Shares listed [1]	1,400,000												
Low price	134½	134⅝	125	120	112	120¼	116⅜	129⅜	136½	138	138¼	129	
High price	164	144⅝	137	140	142½	145⅞	132	144⅝	156⅞	155¼	150⅞	152½	
1907.													
Shares sold	4,570,475	3,911,615	5,835,090	3,529,230	3,835,800	2,437,660	2,131,400	2,727,720	2,143,550	2,494,720	1,475,331	3,048,780	38,141,371
Shares transferred	547,349	154,682	228,382	203,978	209,521	182,096	401,230	167,414	149,562	157,799	136,560	195,725	2,734,298
Shares listed [1]	1,400,000												
Low price	119½	112½	91	103	96½	97	100½	85¼	90¼	70½	72½	87⅞	
High price	139⅝	126⅝	126½	114	115⅜	107½	108⅞	103½	98⅜	95⅛	90⅜	97½	
1908.													
Shares sold	4,055,000	2,448,544	3,464,250	2,311,000	3,983,416	1,882,860	2,111,690	3,204,080	3,655,175	2,336,900	3,132,878	2,579,760	35,165,553
Shares transferred	518,608	163,646	179,320	162,953	197,382	233,688	432,410	138,688	197,720	158,278	177,591	208,635	2,768,919
Shares listed [1]	1,400,000												
Low price	94¼	92⅛	94½	102⅞	107⅞	109⅜	112⅞	121¼	120⅜	126⅜	131⅞	135⅝	
High price	111	103⅝	107⅞	112	119¼	117⅜	122⅛	130⅜	137⅜	134½	141½	143¼	
1909.													
Shares sold	1,897,430	1,595,600	2,251,573	3,321,850	2,974,232	2,460,820	1,472,590	3,251,860	3,423,780	2,036,390	2,640,490	2,015,800	29,342,415
Shares transferred	541,807	92,293	134,686	166,742	243,572	208,019	499,004	184,727	196,952	129,476	153,303	331,214	2,881,795
Shares listed [1]	1,400,000												
Low price	131¼	118	121⅛	134⅛	143⅜	147¼	153¾	155⅛	156⅛	158	160⅞	167¼	
High price	144⅞	134⅞	136⅝	148½	159¾	158⅞	162⅝	166	173⅜	170½	172½	172½	
1910.													
Shares sold	2,838,110	2,918,650	2,454,000	2,027,204	2,219,035	2,967,510	2,549,920	2,225,450	1,898,700	2,023,800	1,911,620	2,242,850	28,276,149
Shares transferred	536,933	220,311	186,027	162,067	171,271	210,226	477,562	153,885	129,751	123,469	127,867	173,258	2,672,627
Shares listed [1]	1,400,000												
Low price	154	155¼	162⅜	156⅛	153⅜	140⅞	130⅜	132⅞	136⅜	146	147⅛	142½	
High price	171½	172¾	171½	168⅜	166¼	158⅜	147½	147½	147⅞	156⅜	156	151⅞	

[1] See footnote on page 188.

Table showing shares of common stock of Reading Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month—Continued.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1911.													
Shares sold	2,502,490	2,181,540	1,128,320	899,700	1,848,900	1,443,050	797,950	2,475,110	2,688,715	1,840,400	2,690,850	1,403,500	21,900,525
Shares transferred	387,680	129,980	107,764	88,535	158,643	164,054	269,470	165,041	144,122	128,095	161,361	180,247	2,084,992
Shares listed [1]	1,400,000	....	....	....	....	....	....	....	....	....	....	....	....
Low price	$150\frac{1}{8}$	$152\frac{1}{2}$	$153\frac{3}{8}$	$149\frac{1}{4}$	$154\frac{1}{4}$	$157\frac{1}{2}$	$155\frac{3}{4}$	$139\frac{5}{8}$	134	$135\frac{5}{8}$	$139\frac{5}{8}$	$146\frac{1}{2}$	....
High price	$158\frac{5}{8}$	$161\frac{3}{4}$	$158\frac{3}{8}$	157	$161\frac{3}{8}$	$161\frac{7}{8}$	$160\frac{5}{8}$	159	$144\frac{3}{8}$	$141\frac{3}{4}$	$154\frac{7}{8}$	$154\frac{1}{2}$	....
1912.													
Shares sold	2,252,950	1,599,400	1,983,590	2,536,800	2,385,500	1,245,700	1,025,225	1,273,440	1,546,800	2,680,690	1,523,950	....	20,054,045
Shares transferred	369,996	114,275	132,534	427,330	142,467	140,443	300,454	105,202	84,695	411,103	70,387	....	2,298,886
Shares listed [1]	1,400,000	....	....	....	....	....	....	....	....	....	....	....	....
Low price	$148\frac{1}{8}$	$152\frac{1}{2}$	$154\frac{1}{2}$	$162\frac{1}{4}$	$165\frac{1}{4}$	$163\frac{7}{8}$	$160\frac{1}{2}$	$165\frac{7}{8}$	$165\frac{3}{4}$	$168\frac{1}{4}$	....	....	....
High price	$159\frac{1}{2}$	$159\frac{1}{4}$	$163\frac{3}{4}$	$179\frac{1}{4}$	$177\frac{7}{8}$	$172\frac{7}{8}$	$168\frac{1}{2}$	$173\frac{1}{8}$	$174\frac{7}{8}$	$178\frac{3}{8}$	....	....	....

[1] Of this number the Baltimore & Ohio Railroad Co. and the Lake Shore & Michigan Southern Railway Co. have held 400,000 shares during the period covered by this table, leaving only 1,000,000 shares actually subject to sale on the New York Stock Exchange.

Ratio of shares transferred to shares sold:

1906	0.072
1907	.072
1908	.078
1909	.098
1910	.094
1911	.095
1912	.114
Whole period	.086

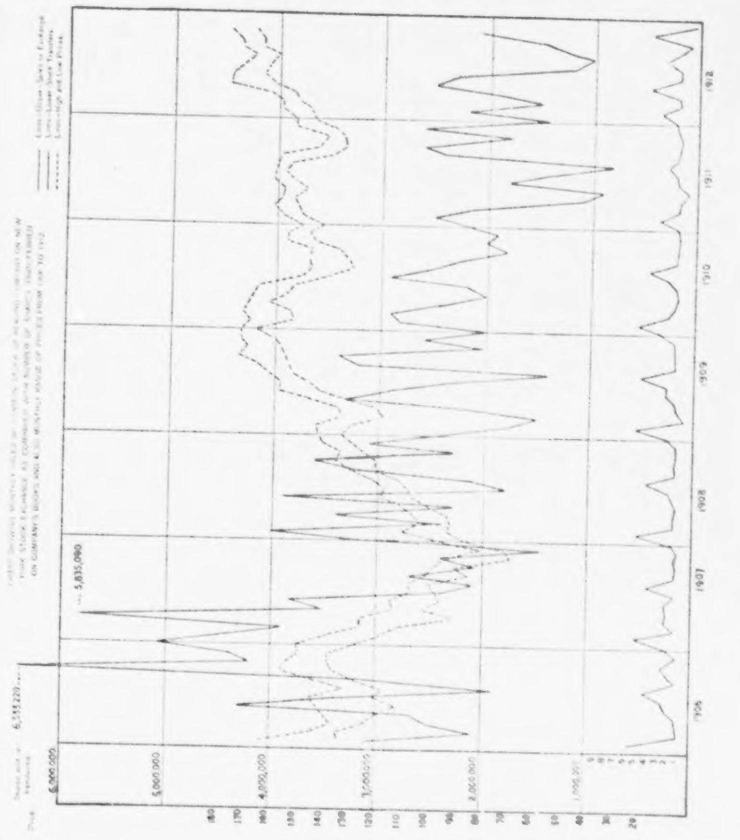
Total shares sold for period, 216,644,898.
Total shares transferred for period, 18,592,290.

Ratio of shares sold to shares listed:

1906	31.26
1907	27.24
1908	25.11
1909	20.96
1910	20.18
1911	15.64
1912	14.32
Whole period (yearly average)	22.10

Ratio of shares sold to shares actually subject to sale (1,000,000):

1906	43.86
1907	38.14
1908	35.17
1909	29.34
1910	28.28
1911	21.90
1912	20.05
Whole period (yearly average)	30.95


5,835,090
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
1906
1907
1908
1909
1910
1911
1912

Shares of common stock of Reading Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	January, 1906.	May, 1906.	June, 1906.	September, 1906.	October, 1906.	November, 1906.	December, 1906.
1	....	158,300	76,600	33,100	466,700	165,300	14,400
2	235,800	362,200	24,600	....	347,600	366,100	....
3	208,300	174,800	....	....	237,500	152,800	124,100
4	106,800	280,400	169,900	179,800	176,500	....	118,700
5	55,000	191,500	131,100	157,200	180,500	176,100	223,500
6	23,700	....	80,800	259,200	107,500	....	172,600
7	....	324,300	126,300	215,700	....	288,400	147,500
8	90,000	193,200	94,600	80,200	102,200	130,600	39,700
9	58,200	206,900	73,700	....	72,500	208,500	....
10	47,000	87,400	....	108,700	91,100	90,700	238,600
11	47,400	176,900	116,300	145,000	132,400	....	296,900
12	70,100	30,300	91,500	128,400	151,800	251,000	155,000
13	26,400	....	83,000	91,100	72,900	174,300	280,400
14	....	143,500	325,900	548,800	....	158,600	204,000
15	37,200	145,900	255,200	332,600	163,100	227,300	102,600
16	136,400	64,000	103,700	....	72,900	357,900	....
17	160,400	244,200	....	419,900	96,000	117,900	239,100
18	186,400	129,500	171,500	598,700	64,100..	....	444,700
19	200,100	36,800	158,100	559,100	255,500	243,100	521,300
20	108,500	....	16,800	398,200	147,800	172,300	166,200
21	....	52,500	127,900	231,800	....	183,200	209,900
22	220,200	135,800	115,000	89,900	265,000?	195,100	226,500
23	178,800	142,400	55,100	....	167,400	122,700	....
24	91,500	248,200	....	377,100	78,300	114,900	273,100
25	167,600	334,700	144,000	325,000	162,000	....	....
26	154,700	83,700	183,400	300,500	306,200	126,700	175,100
27	69,200	....	181,000	381,100	84,800	163,800	218,500
28	....	158,000	164,000	362,000	....	114,600	187,600
29	151,700	168,100	113,000	247,500	125,800	....	150,200
30	171,200	....	64,300	....	29,600	87,100	....
31	98,700	57,500	....	....	115,800	....	187,300
MONTHLY SUMMARY.							
Shares sold	3,127,710	4,356,350	3,398,480	6,533,220	4,287,250	4,453,630	5,116,280
Shares transferred	604,734	265,295	282,747	206,514	265,222	162,813	257,906
Shares listed [1]	1,400,000	....	....	....	....	....	....
Low price	134¼	112	120¼	136¼	138	138¼	129
High price	164	142¾	145¾	156¾	155¼	150¾	152¾

[1] Of this number the Baltimore & Ohio Railroad Co. and the Lake Shore & Michigan Southern Railway Co. have held 400,000 shares during the period covered by this table, leaving only 1,000,000 shares actually subject to sale on the New York Stock Exchange.

Shares of common stock of Reading Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	January, 1907.	February, 1907.	March, 1907.	April, 1907.	January, 1908.	May, 1908.
1	....	268,900	443,500	140,200	....	117,300
2	134,700	88,100	140,700	131,900	150,560	66,900
3	131,200	....	....	183,600	114,700	....
4	152,000	137,800	354,900	219,500?	68,600	92,900
5	142,100	106,000	345,150	228,600	....	76,600
6	....	136,880	700,900	88,800	141,100	93,900
7	160,300	237,520	211,000	....	147,800	156,500
8	174,900	169,400	313,050	130,700	98,200	340,900
9	109,600	86,150	81,100	191,500	275,500	110,700
10	193,100	....	....	142,500	302,000	....
11	211,600	142,900	240,700	135,100	77,400	153,300
12	73,800	....	140,200	157,300	....	171,900
13	....	138,150	33,500	123,000	172,600	87,000
14	153,500	173,440	324,500	....	163,600	262,900
15	95,300	131,300	192,500	160,500	189,100	258,300
16	191,100	59,250	121,700	92,800	255,300	104,860
17	118,809	....	....	143,000	216,700	....
18	268,100	166,100	166,500	57,800	124,300	165,500
19	223,900	235,900	236,700	75,000	....	187,100
20	....	106,450	182,600	17,100	180,000	225,756
21	400,000	171,980	117,100	....	312,400	183,800?
22	172,800	....	112,100	191,300	235,800?	227,100
23	141,500	....	107,800	157,100	147,300	136,900
24	103,400	....	....	245,850	160,900	....
25	139,800	257,000?	157,600?	1,258?	71,800	159,300
26	95,000	256,200	142,000	93,000	....	148,100
27	....	459,000	232,700	27,100	164,000	179,400
28	176,200	371,100	226,000	....	172,200	165,800
29	272,900	....	113,700	94,100	204,500	65,300
30	293,600	....	....	176,300	116,550?	....
31	214,300	....	....	....	111,850	....
MONTHLY SUMMARY.						
Shares sold	4,570,475	3,911,615	5,835,000	3,529,230	4,055,000	3,983,416
Shares transferred	547,349	154,682	228,382	203,978	518,608	197,382
Shares listed	1,400,000	....	....	....	....	....
Low price	119½	112½	91	103	94⅛	107¾
High price	139⅞	126⅞	126½	114	111	119⅞

Table showing shares of common stock of Erie Railroad Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold	696,885	293,770	252,540	291,850	579,145	379,270	279,125	672,750	611,950	332,510	186,765	171,550	4,748,090
Shares transferred	112,844	57,842	113,262	55,357	95,250	68,549	68,757	178,122	114,834	82,334	46,486	42,396	1,036,033
Shares listed	1,123,789	....	....	....	....	....	....	....	....	....	....	....	....
Low price	46⅜	41⅜	41½	39¼	38⅛	40	38⅛	42⅜	45	43	41¾	41⅞	....
High price	50⅞	48⅝	45	45⅝	47	46¾	43½	47½	49⅜	49	46	46½	....
1907.													
Shares sold	434,045	280,110	574,795	221,750	83,580	52,970	157,860	128,750	27,860	58,085	53,290	33,086	2,106,181
Shares transferred	87,444	48,199	128,049	98,845	56,391	54,437	50,774	66,739	45,869	60,348	72,765	39,648	808,878
Shares listed	1,123,789	....	....	....	....	....	....	....	....	....	....	....	....
Low price	33⅜	32⅞	21⅞	22¼	20	20⅜	22⅞	18	19¾	16⅛	12¼	15⅜	....
High price	44¼	37⅜	34¼	26⅝	25¼	23⅞	26¼	24	22	20⅜	18¼	17⅞	....
1908.													
Shares sold	44,045	33,950	79,500	121,445	167,000	114,585	151,810	125,510	832,530	595,550	557,100	375,790	3,198,915
Shares transferred	35,132	24,696	38,549	58,089	62,245	39,225	52,230	48,303	43,692	135,191	138,312	79,874	755,536
Shares listed	1,123,789	....	....	....	....	....	....	....	....	....	....	....	....
Low price	14¼	12½	12	13¾	17⅞	17⅜	19	22½	23¾	29⅜	30⅞	31⅞	....
High price	17⅜	15⅝	17½	19⅝	23⅝	23¾	25⅛	25	31¼	32⅞	36	35¾	....
1909.													
Shares sold	361,010	186,550	139,525	255,060	275,280	347,360	167,780	389,035	263,535	153,100	72,300	90,685	2,701,220
Shares transferred	102,479	64,211	97,873	64,605	75,824	98,994	37,941	76,241	15,272	54,014	34,387	45,920	767,761
Shares listed	1,123,789	....	....	....	....	....	....	....	....	....	....	....	....
Low price	28⅝	25¾	22⅜	28¼	31	34	35⅜	34	31⅜	31¾	32	32¼	....
High price	34¼	32⅜	30	32	35¼	39	37¾	38⅝	36¼	35	34⅝	34½	....
1910.													
Shares sold	115,820	61,430	89,200	44,770	29,220	80,785	47,665	46,950	40,980	139,530	45,460	38,575	780,385
Shares transferred	51,533	52,044	52,755	25,304	32,260	51,212	56,625	45,119	4,140	56,934	36,000	31,133	495,059
Shares listed	1,123,789	....	....	....	....	....	....	....	....	....	....	....	....
Low price	27¾	25¼	28¾	27	26¼	23⅛	19½	22	24¾	26¾	27½	26¼	....
High price	34⅜	30¼	33⅜	31⅛	29¾	28½	25⅛	26⅞	27⅛	31	30⅞	28¾	....

1911.													
Shares sold	34,850	252,910	149,035	54,510	217,850	400,436	142,700	245,800	243,935	130,305	231,060	96,850	2,200,241
Shares transferred	32,894	81,983	118,461	117,332	110,687	145,204	73,513	101,169	21,630	53,957	66,342	35,907	959,079
Shares listed	1,123,789												
Low price	27¼	28¼	27½	28¼	30¼	33½	35¼	27⅞	28¼	29⅜	31	30	
High price	29⅝	32¾	31¾	30⅞	34¼	38⅛	38⅜	36¼	31¾	32¾	34½	33¼	
1912.													
Shares sold	93,616	87,300	730,288	422,750	193,800	97,550	94,750	192,550	174,435	160,700	70,592		2,320,131
Shares transferred	41,625	33,240	133,353	112,294	61,987	29,455	36,489	68,458	15,633	64,135	30,526		627,195
Shares listed	1,123,789												
Low price	30¼	30¼	31	36½	33⅜	33⅜	33½	35½	35	33⅛			
High price	32½	32	38	39⅛	36⅞	36	36⅛	38⅝	38¼	38			

Ratio of shares sold to shares listed:

1906	4.23
1907	1.88
1908	2.84
1909	2.41
1910	.70
1911	1.96
1912	2.06
Whole period	**2.28**

Ratio of shares transferred to shares sold:

1906	0.218
1907	.384
1908	.236
1909	.284
1910	.664
1911	.436
1912	.270
Whole period	**.303**

Total shares sold for period	18,055,163
Total shares transferred for period	5,449,541

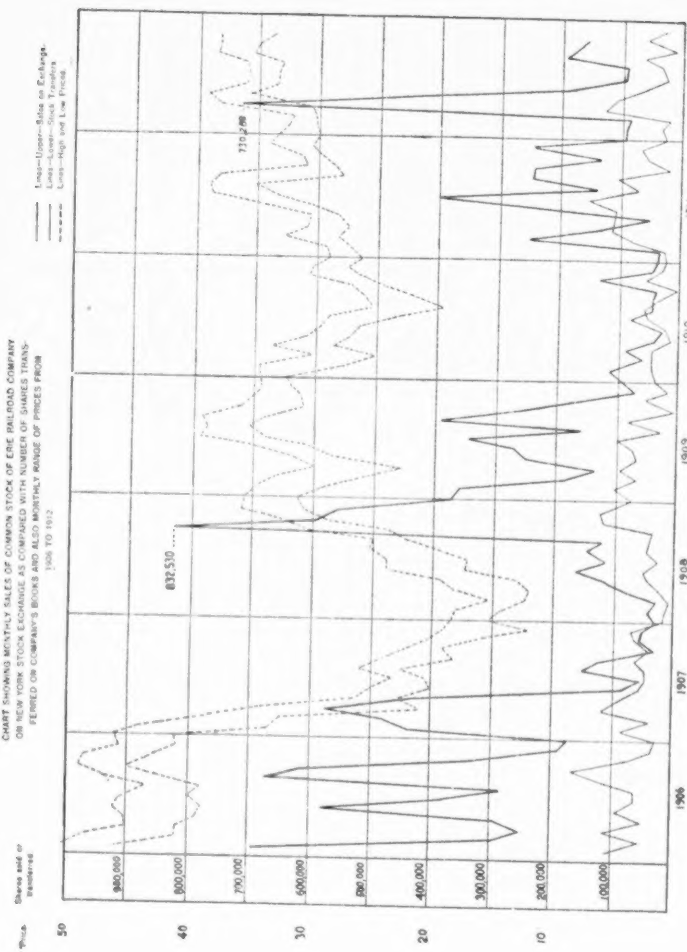


CHART SHOWING MONTHLY SALES OF COMMON STOCK OF ERIE RAILROAD COMPANY ON NEW YORK STOCK EXCHANGE AS COMPARED WITH NUMBER OF SHARES TRANSFERRED ON COMPANY'S BOOKS AND ALSO MONTHLY RANGE OF PRICES FROM 1906 TO 1912

Shares of common stock of Erie Railroad Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	January, 1906.	May, 1906.	August, 1906.	September, 1906.	March, 1907.	September, 1908.	October, 1908.
1	....	15,300	46,000	2,700	11,600	35,400	2,800
2	34,400	21,600	26,000	....	2,000	33,000	10,500
3	27,500	13,400	25,600	....	....	11,400	9,000
4	20,700	11,800	7,100	15,000?	26,700	14,700	....
5	10,200	26,000	....	26,000	26,600	....	71,700
6	15,100	....	6,800	33,300	33,700	....	50,600
7	....	22,100	12,400	13,700	39,500	....	47,400
8	29,800	31,100	8,000	53,800	34,800	52,600	63,400
9	13,200	45,600	14,100	....	9,400	91,050	56,700
10	12,600	22,500	6,800	58,700	....	85,400	9,200
11	8,500	29,300	2,500?	38,900	16,700	42,750	....
12	107,300	3,700	....	25,200	7,700	14,500	27,150
13	12,000	....	4,800	19,900	30,800	....	14,000
14	....	17,000	12,100	38,400	19,000	24,316	20,200
15	58,400	11,600	15,700	23,000	14,800?	36,000	23,700
16	31,700	5,000	7,000	....	9,900	31,600	8,050
17	19,000	43,200	32,200	22,100	....	34,050	5,300
18	18,900	10,600	31,600	53,200	14,100	57,400	....
19	41,800	2,500	....	32,200	11,100	38,900	7,100
20	9,300	....	62,100	24,100	4,800	....	9,300
21	....	6,000	58,200	8,400	11,000?	47,800	18,650
22	17,600	28,100	20,700	3,600	55,750	44,000	25,250
23	19,300	25,700	22,900	....	12,500	39,630	3,700
24	27,600	51,600	19,800	11,400	....	38,100	4,500
25	20,500	74,000	50,100	13,000	33,320	25,800	....
26	36,300	12,700	....	5,600	22,000	5,680	8,700
27	8,700	....	42,100	16,300	73,700	....	11,200
28	....	30,900	30,700?	21,600	15,200	9,900	8,400
29	22,400	19,000?	25,900	6,200	14,800	11,100	5,950
30	36,000	....	19,200	....	....	6,200	10,700
31	15,900	13,200?	13,900	....	....	....	5,000
MONTHLY SUMMARY.							
Shares sold	696,885	579,145	672,750	611,950	574,795	832,530	595,550
Shares transferred	112,844	95,250	178,122	114,834	128,049	43,692	135,191
Shares listed	1,123,789	....	....	....	....	....	....
Low price	46⅜	38½	42⅜	45	21⅞	23¾	29⅜
High price	50⅞	47	47½	49⅜	34½	31½	32⅜

Shares of common stock of Erie Railroad Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	November, 1908.	December, 1908.	August, 1909.	June, 1911.	March, 1912.	April, 1912.
1	....	5,250	....	10,200	3,300	10,000
2	7,410	5,700	36,800	19,400	15,600	9,850
3	....	4,600	12,710	25,500	....	13,600
4	10,400	20,100	17,200	....	22,100	9,400
5	40,500	7,600	5,600	27,250	35,800	....
6	47,300	....	10,500	14,200	26,900	....
7	19,200	24,700	7,100	30,000	32,900	....
8	....	26,200	....	17,900	11,550	15,300
9	42,100	15,300	12,100	30,300	1,100	30,900
10	43,200	8,700	8,150	10,800	....	65,600
11	99,300	15,300	14,400	....	11,800	76,800
12	26,100	7,900	21,700	23,200	2,250	39,000
13	21,000	....	14,300	16,500	15,400	7,600
14	5,000	39,100	9,000?	9,100	65,800	....
15	....	16,400	....	12,400	97,800	15,800
16	22,100	9,420	7,400	5,800	49,000	17,000
17	10,050	14,150	8,700	4,400	....	17,400
18	11,300	16,100	10,700	....	59,000	12,900
19	16,670	7,000	18,700	7,950	30,800	4,700
20	19,920	....	10,000	7,100	29,600	1,400
21	5,900	26,000	5,600	4,000	18,100	....
22	....	11,200	....	4,700	22,400	8,900
23	17,400	20,400	9,700	6,100	5,300	17,300
24	16,975	4,900	36,725	12,200	....	7,300
25	23,800	....	22,300	....	28,000	6,100
26	....	....	15,900	13,700	16,000	13,950
27	9,020	....	32,300	25,700	16,600	2,500
28	3,000	15,900	4,200	20,000	22,400	....
29	....	16,500	....	8,200	38,300	11,300
30	5,900	4,600	9,400	25,900	10,600?	3,600
31	....	3,600	5,300	....	....	....
MONTHLY SUMMARY.						
Shares sold	557,100	375,790	389,035	400,436	730,288	422,750
Shares transferred	138,312	79,874	76,241	145,204	133,353	112,294
Shares listed	1,123,789	....	....	....	....	....
Low price	30¾	31⅞	34	33⅛	31	[illegible]
High price	36	35¾	38⅞	38⅛	38	[illegible]

Shares of common stock of United States Steel Corporation sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	August, 1906.	March, 1907.	August, 1909.	September, 1909.	October, 1909.	January, 1910.	February, 1910.
1	150,600	52,070	...	94,400	246,000	...	164,000
2	75,000	21,100	76,350	138,000	125,600	...	209,500
3	77,800	...	106,400	202,765	...	193,200	454,600
4	34,600	123,100	84,000	...	244,100	274,700	278,800
5	...	140,000	76,000	...	427,600	243,800	100,500
6	96,300	227,750	93,200	...	626,100	206,600	...
7	84,900	155,400	90,500	157,183	305,400	246,900	333,200
8	34,400	316,000	...	177,300	309,100	102,700	309,300
9	42,600	128,600	129,000?	167,200	139,600	...	220,600
10	27,100	...	73,750	310,700	...	116,600	188,700
11	15,200	179,000	103,400	86,000	300,300	160,200?	154,700
12	...	116,075	127,500	...	...	187,700	...
13	70,900	285,400	176,500	126,300	262,550	320,200	...
14	69,800	324,700	127,400	101,800	351,000	270,900	143,600
15	21,700	152,100	...	206,430	419,700	208,200	127,200
16	42,100	97,500	139,450	259,700	165,200	...	98,500
17	225,200	...	180,760	178,500	...	289,400	139,800
18	150,200	165,770	181,800	60,260	260,500	380,100	130,700
19	...	131,300	189,200	...	228,300	322,600?	85,700
20	205,700	82,100	257,200	130,800	292,800	239,800	...
21	135,700	53,700	89,000	210,000	311,640	305,600	106,200
22	402,600	79,800	...	238,300	279,100	267,100	...
23	289,400	87,000	137,900?	162,700	173,200	...	79,500
24	154,400	...	143,400	119,400	...	349,400	81,200
25	92,400	209,500	208,950	...	259,650	449,000	137,300
26	...	143,900	197,200	...	289,800	239,100	41,600
27	141,100	118,700	266,800	191,300	277,900	283,900?	...
28	147,500	61,700	113,400	227,500	238,900	196,100	104,100
29	149,600	91,400	...	258,200	212,500	101,900	...
30	87,200	...	150,700	155,502[a]	50,400	...	...
31	54,800	...	113,700	...	...	115,400	...
MONTHLY SUMMARY.							
Shares sold	3,136,598	3,564,805	3,777,615	3,848,690	6,722,779	6,078,415	3,680,260
Shares transferred	1,431,228	858,192	890,878	874,439	879,203	752,045	963,693
Shares listed	5,084,952	...	...	...	...	...	...
Low price	39¼	31⅛	73¼	75¾	85¼	81¼	75
High price	47¾	44¾	78¾	90¼	94⅞	91	82¼

Shares of common stock of United States Steel Corporation sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	March, 1910.	April, 1910.	June, 1910.	September, 1911.	October, 1911.	November, 1911.
1	134,800	56,900	273,800	53,300	....	335,000
2	217,300	24,000	171,000	....	164,800	290,300
3	190,100	....	334,300	....	178,400	140,000
4	114,300	84,900	161,200	....	194,800	57,300
5	52,100	125,700	....	71,000	130,000	....
6	....	1,440	234,000	56,500	159,700	165,550
7	283,000	78,300	244,600	56,500	117,600	....
8	224,000	181,700	207,410	118,950	....	183,700
9	212,900?	83,400	109,800	65,500	113,750	408,000
10	165,700	....	115,600	....	69,500	360,000
11	241,700	239,350	52,300	165,400	56,800	125,900
12	50,500	200,900	....	101,830	....	....
13	....	239,800	80,700	144,300?	73,450	241,200
14	125,825	158,000	59,300	230,800	62,800	198,800
15	157,500	118,600	68,800	121,000	....	182,000
16	179,500	47,500	83,000	70,720	133,600	160,000
17	132,300	....	32,300	....	116,400	250,800
18	132,800	162,800	27,200	1,372	162,700	69,300
19	55,500	163,200	....	119,900	210,900?	....
20	....	256,100	43,600	249,650	288,800	163,300?
21	92,800	145,000	54,300	572,100	80,100	88,700
22	70,900	225,100	90,400	717,800	....	75,800
23	125,700	49,400	58,700	165,150	118,600	82,300
24	63,500	....	108,600	....	37,200	137,000
25	....	155,900	35,500	401,200	65,200	35,900
26	....	198,000	....	442,200	135,800	....
27	....	285,100	269,300	721,800	690,300	166,700
28	139,000	324,900	158,900	590,650	146,100	141,050
29	163,400	183,000	215,800	356,400	....	144,800
30	170,000	102,400	322,300	84,600	263,700	....
31	136,000	....	....	....	139,800	....
MONTHLY SUMMARY.						
Shares sold	3,618,585	4,043,560	3,522,913	5,793,850	3,893,935	4,164,050
Shares transferred	1,198,321	403,270	882,510	475,755	464,413	867,537
Shares listed	5,084,952	....	....	....	....	....
Low price	81¼	79⅝	68⅛	51⅞	50	55⅛
High price	89⅝	88⅛	79¾	72	62⅞	65⅝

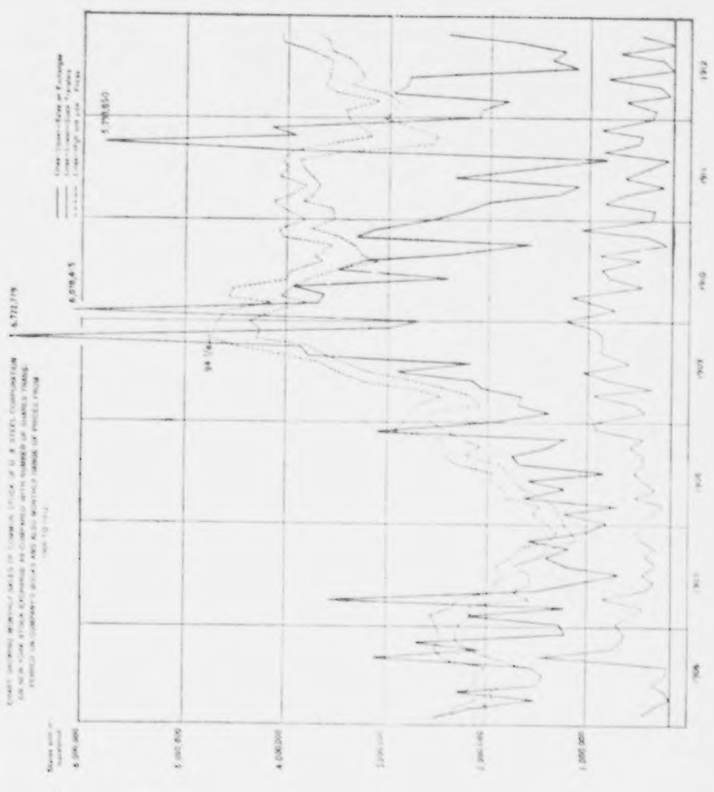


Table showing shares of common stock of United States Steel Corporation sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold	2,509,500	2,159,949	1,499,761	2,302,750	1,480,245	1,435,705	1,583,580	3,136,598	2,061,900	2,772,060	1,236,074	1,300,220	23,478,339
Shares transferred	478,987	336,637	187,196	251,428	340,080	269,514	251,188	1,431,228	783,573	650,277	618,747	717,892	6,316,747
Shares listed	5,084,952			5,084,952									
Low price	42	40⅞	38¾	39	36¾	33¾	32⅞	39½	43⅞	45⅞	45½	46⅞	
High price	46¼	46⅛	41⅞	44⅛	42	42	40	47¾	47¾	50¼	49⅜	49⅞	
1907.													
Shares sold	2,200,785	1,227,628	3,564,805	1,495,275	1,132,206	687,016	1,209,575	1,426,485	1,172,958	1,636,160	1,021,624	820,006	17,594,523
Shares transferred	551,967	460,656	858,192	418,225	355,062	445,833	312,006	404,570	321,287	498,553	505,521	475,171	5,607,043
Shares listed	5,084,952			5,084,952			5,084,952			5,084,952			
Low price	42¾	42⅞	31½	35¼	31⅞	31⅞	35¼	29¼	26¾	21⅞	22¼	24¾	
High price	50⅜	46¾	44¾	39⅞	38½	35⅝	39	35⅞	33⅛	27⅞	22½	28¼	
1908.													
Shares sold	1,221,859	674,621	1,653,412	1,205,354	1,618,748	846,205	1,739,930	1,809,322	1,404,220	1,218,961	3,114,641	1,956,679	18,463,952
Shares transferred	367,448	267,198	581,039	313,942	479,449	525,544	444,805	469,000	571,141	417,737	915,056	957,319	6,249,678
Shares listed	5,084,952												
Low price	25¾	26½	28¼	32⅝	35⅛	36¼	37¾	44	41⅛	45	47½	51¼	
High price	31½	29¼	36¼	37	39⅞	39⅛	45⅝	48	48⅛	48⅜	58¾	56¼	
1909.													
Shares sold	1,394,218	1,738,761	1,705,150	2,067,939	2,150,227	2,921,736	2,158,740	3,777,615	3,848,690	6,722,779	2,980,340	2,669,577	34,135,772
Shares transferred	417,216	522,374	947,521	322,562	794,209	1,051,906	591,566	890,878	874,439	879,203	943,815	1,222,360	9,458,039
Shares listed	5,084,952			5,084,952			5,084,952			5,084,952			
Low price	51⅛	41½	42⅞	48⅞	54⅛	64	67⅞	73½	75⅜	85½	85⅛	86⅜	
High price	55½	53¼	49¼	55	64⅞	69⅞	74½	78⅞	90⅛	94⅞	93⅛	92⅝	
1910.													
Shares sold	6,078,415	3,680,260	3,618,585	4,043,560	2,396,935	3,522,913	3,191,005	2,295,220	1,592,990	3,319,120	3,110,700	2,563,681	39,413,384
Shares transferred	752,045	963,693	1,198,321	463,270	798,662	882,510	494,201	897,778	249,501	375,702	1,039,926	381,585	8,497,194
Shares listed	5,084,952			5,084,952			5,084,952			5,084,952			
Low price	81⅛	75	81⅛	79⅜	75⅞	68½	61½	65½	66½	68⅜	75½	70	
High price	91	82½	89⅝	88⅜	80	79⅞	72¾	73¾	70½	80½	81¾	75½	
1911													
Shares sold	2,226,765	1,973,740	1,312,920	1,087,880	2,350,939	1,755,485	828,327	3,750,778	5,793,850	3,893,935	4,164,050	2,126,439	31,265,108
Shares transferred	314,827	844,574	502,875	252,233	709,571	411,677	220,222	857,898	475,755	464,413	867,537	356,228	6,277,810
Shares listed	5,084,952												
Low price	71⅛	76⅜	74⅜	72⅞	74½	75⅛	77½	69½	51⅛	50	55¾	60½	
High price	80	82⅛	79⅜	78⅜	81½	80	80⅛	79⅜	72	62⅝	65⅜	69⅜	

1912.													
Shares sold	2,086,650	1,838,428	2,966,275	2,824,050	2,784,407	1,110,786	1,403,300	1,255,809	1,718,250	2,405,149	1,[illegible]	....	22,088,704
Shares transferred	306,772	600,752	211,152	298,880	810,039	190,223	227,923	684,499	180,616	438,547	727,[illegible]	....	4,677,454
Shares listed	5,084,952	....	....	....	....	....	....	....	....	....	....	....	....
Low price	5[illegible]¾	58¼	60	67½	64¼	66	67½	71	71½	73¾	....	....	....
High price	69½	61⅞	70½	73½	72	71½	72½	75	80¾	80⅛	....	....	....

Ratio of shares sold to shares listed:

1906	4.61
1907	3.46
1908	3.[illegible]3
1909	6.71
1910	7.74
1911	6.14
1912	4.34
Whole period	5.19

Ratio of shares transferred to shares sold:

1906	0.209
1907	.319
1908	.348
1909	.277
1910	.215
1911	.201
1912	.211
Whole period	.251

Shares sold for period	184,744,182
Shares transferred for period	46,356,364

Table showing shares of common stock of Amalgamated Copper Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1900 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1900.													
Shares sold											135,382	351,753	487,135
Shares transferred													
Shares listed [1]													
Low price											93½	89¾	
High price											99½	96¼	
1901.													
Shares sold	293,398	165,114	626,024	1,869,647	681,290	587,795	363,939	363,995	1,728,734	1,420,790	1,170,332	2,554,980	11,826,038
Shares transferred													
Shares listed [1]	750,000												
Low price	83¾	87¾	94½	99¼	90	118½	109	110	88¾	83¾	72½	60½	
High price	94¾	95	103¾	128½	125	130	124¼	122¾	120	92⅛	89	76⅝	
1902.													
Shares sold	1,021,967	1,058,969	811,436	781,134	588,227	263,590	351,751	167,360	391,070	289,815	684,357	608,902	7,018,578
Shares transferred													
Shares listed [1]	1,485,402												
Low price	67⅝	67¾	6[illegible]	63½	65	62¼	62	65	63⅞	62	53	53¾	
High price	78	79	70½	68½	71⅞	69¾	68¾	68¾	71½	67¼	65½	64⅝	
1903.													
Shares sold	591,660	960,650	1,434,612	634,735	667,870	835,495	936,926	993,507	709,650	1,548,351	575,870	1,522,847	11,412,173
Shares transferred													
Shares listed [1]	1,538,880												
Low price	62¼	66⅛	64⅝	60	56¾	51	35¾	37	37⅛	33⅝	35⅝	38	
High price	67⅞	75¼	75⅝	67½	67¼	58⅛	56½	52⅜	50	42⅜	39⅝	52⅝	
1904.													
Shares sold	1,142,685	864,612	633,920	507,152	475,480	218,298	624,790	629,324	602,265	1,320,634	2,032,645	2,713,540	11,765,345
Shares transferred													
Shares listed [1]	1,538,880												
Low price	47½	43¼	44⅜	47⅞	46¾	48¾	49⅝	51	56½	58½	68	58½	
High price	52	51⅞	50¼	52¼	51⅞	50¾	54¼	58¼	59¾	71½	81¾	82¾	

1905.													
Shares sold	1,363,860	788,675	1,553,540	2,552,869	1,437,710	922,585	721,100	1,073,610	826,940	800,515	1,634,357	3,867,973	17,543,734
Shares transferred [1]													
Shares listed [1]	1,538,880												
Low price	70	73½	76	78⅛	75	77½	81⅞	82⅜	79¾	81⅛	78⅛	89	
High price	77½	77⅞	81⅝	89⅞	84⅞	84⅜	84¾	88¾	84¾	86½	90¾	111¾	
1906.													
Shares sold	4,212,405	2,832,620	2,584,201	3,445,300	3,194,810	2,076,145	1,761,560	2,865,600	2,611,795	2,091,275	1,175,965	1,437,450	30,289,126
Shares transferred	873,166	134,383	259,623	783,972	79,270	195,352	556,386	121,008	213,584	648,773	101,805	198,066	4,165,388
Shares listed [1]	1,538,880												
Low price	103¾	107	100	100⅜	96	95½	92⅜	103¾	108⅜	109½	108⅞	110⅞	
High price	115½	118¼	109½	115¾	111¼	110⅜	101¾	111½	115½	117½	114¾	115½	
1907.													
Shares sold	2,601,990	1,205,182	3,103,878	1,912,120	1,261,340	794,945	1,239,486	1,661,660	1,683,566	1,701,685	734,680	1,079,235	18,979,767
Shares transferred	669,361	104,752	248,641	555,456	51,450	145,300	379,152	188,738	191,826	373,168	160,799	137,243	3,205,946
Shares listed [1]	1,538,880												
Low price	110¾	108¼	78¼	80	83¾	80¾	85⅜	65	56¼	41⅞	44½	42	
High price	121⅞	115½	111⅞	99⅛	98¼	87⅜	94	86⅛	74½	60⅜	52	52¼	
1908.													
Shares sold	1,177,360	925,645	1,182,465	590,300	1,101,540	428,195	678,680	946,715	648,028	477,757	833,970	711,775	9,702,430
Shares transferred	281,283	94,291	157,245	206,304	86,263	142,295	247,193	138,892	104,025	249,500	109,384	105,248	1,922,013
Shares listed [1]	1,538,879												
Low price	45⅞	45¼	49¾	56⅜	59¼	64¾	65⅜	74¾	68⅞	72	79⅜	75¾	
High price	53¾	52¼	62¾	62¼	69¾	68½	77⅛	83⅜	81⅜	80⅞	88⅞	85½	
1909.													
Shares sold	611,800	834,513	806,535	527,855	572,296	619,885	384,435	608,844	633,525	1,065,843	2,450,255	798,650	7,914,436
Shares transferred	284,058	82,062	114,965	222,645	133,589	163,413	253,169	95,753	127,081	325,931	203,353	163,274	2,169,293
Shares listed													
Low price	73	65	66½	73¼	76¼	77½	79	82½	77	77⅜	83⅜	85½	
High price	84¾	77¼	75⅜	78½	85⅞	88⅛	85	89⅛	85	87⅛	96⅛	91⅛	
1910.													
Shares sold	995,230	807,175	854,000	800,500	826,810	1,158,510	1,045,860	452,685	296,695	485,625	223,350	370,220	8,476,640
Shares transferred	410,531	108,910	118,961	276,708	71,823	100,170	241,280	74,078	37,592	172,370	45,959	60,003	1,778,385
Shares listed	[2] 1,550,000												
Low price	77¼	70½	72½	66½	63½	57¼	55¼	60	60⅞	64	65½	60¾	
High price	90¾	82⅞	84⅞	78⅛	72½	68⅜	64	68	64¾	71⅞	72	65⅜	
1911.													
Shares sold	275,755	233,400	133,445	182,600	295,355	325,280	108,850	382,495	592,375	288,180	404,496	52,090	3,574,411
Shares transferred	124,300	52,744	40,370	101,404	13,982	57,456	119,691	54,884	56,033	137,462	49,989	39,180	847,445
Shares listed	1,550,000												
Low price	61	62¼	61⅜	59⅜	62¼	65¼	66⅞	56⅞	44	48⅛	52½	58⅜	
High price	65⅜	67½	65	64½	68⅜	71⅝	70½	67⅜	59¾	54⅜	64⅛	67⅜	

[1] Represents stock outstanding. Stock was not on official list of Stock Exchange until Feb. 14, 1910.

[2] Up to Feb. 14, 1910, capital stock was on the unlisted department of the New York Stock Exchange (1,538,879 shares), but on said date was listed on the New York Stock Exchange official list.

*Table showing shares of common stock of **Amalgamated Copper Co.** sold on New York Stock Exchange, shares transferred on company's books, and **shares** listed on exchange each month, 1900 to 1912, and also range of prices each month*—Continued.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1912.													
Shares sold	240,605	330,080	1,244,875	1,115,490	765,320	510,430	490,810	570,850	515,310	908,100			6,691,870
Shares transferred	141,670	41,866	159,794	378,263	56,886	96,544	229,940	78,131	76,705	290,894			1,550,693
Shares listed	1,550,000												
Low price	61	60	67⅞	80¼	79⅞	81¼	79⅞	82	84⅞	81¼			
High price	67¼	68	81⅞	85	84⅞	88	86¼	88¾	92⅞	92¾			

Ratio of shares transferred to shares sold:

1906	0.137
1907	.168
1908	.198
1909	.274
1910	.209
1911	.237
1912	.231

Ratio of shares sold to shares listed:

1901	10.58
1902	4.65
1903	7.42
1904	7.64
1905	11.40
1906	19.65
1907	12.31

Ratio of shares sold to shares listed—Continued.

1908	6.30
1909	5.14
1910	5.50
1911	2.30
1912	4.32
Whole period	8.05

Total shares sold, 1906-1912 .... 85,628,700.

Total shares transferred .... 15,639, 13.

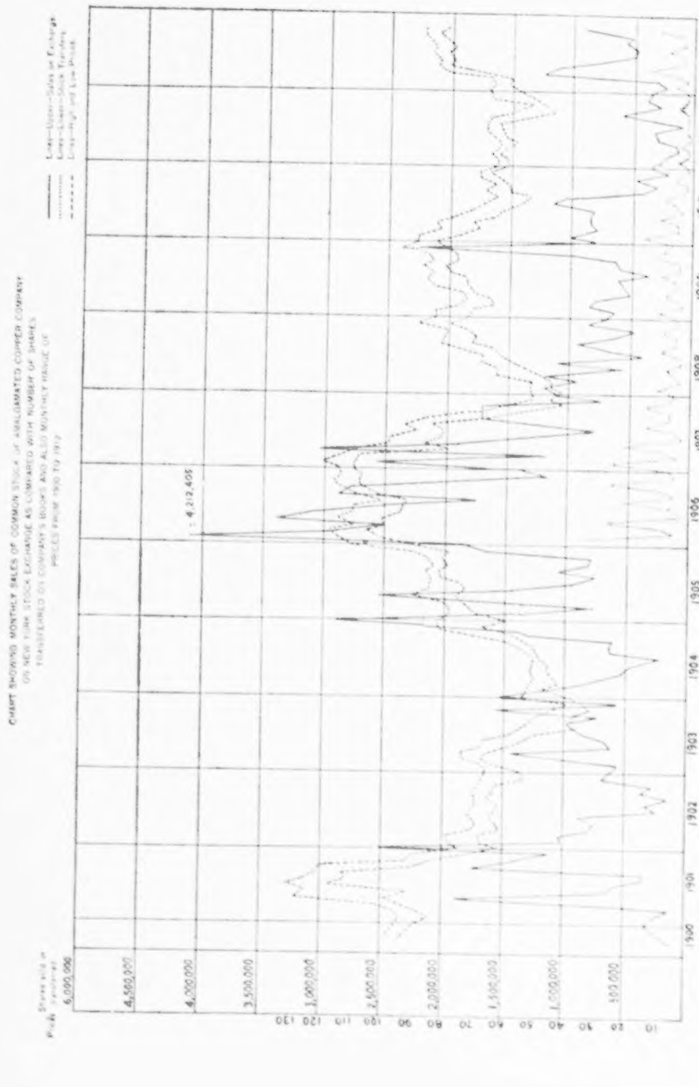


CHART SHOWING MONTHLY SALES OF COMMON STOCK OF AMALGAMATED COPPER COMPANY
ON NEW YORK STOCK EXCHANGE AS COMPARED WITH NUMBER OF SHARES
TRANSFERRED ON COMPANY'S BOOKS AND ALSO MONTHLY RANGE OF
PRICES FROM 1900 TO 1912
6,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
4,212,405
1900
1901
1902
1903
1904
1905
1906
1907
1908
1909
1910
1911
1912

Shares of common stock of Amalgamated Copper Co. sold each day of the 18 most active months from 1906 to 1912, inclusive.

Day of month.	January, 1906.	February, 1906.	March, 1906.	April, 1906.	May, 1906.	June, 1906.	August, 1906.
1	....	282,000	101,600	....	191,200	26,300	89,800
2	157,000	372,300	156,900	133,100	303,900	11,300	89,600
3	150,100	116,100	98,800	140,300	289,700	....	128,600
4	202,100	....	....	100,800	326,600	66,400	36,700
5	219,700	163,000	272,000	96,200	97,200	68,300	....
6	90,600	110,900	180,900	151,100	....	40,300	59,300
7	....	98,900	109,600	35,500	165,400	82,700	42,300
8	81,100	98,900	88,000	....	141,700	50,300	43,100
9	92,300	54,100	165,600	98,700	125,100	33,600	79,200
10	200,400	74,300	65,700	170,200	115,200	....	36,600
11	136,000	....	....	169,200	133,800	47,100	41,500
12	229,300	....	75,600	97,700	75,400	41,200	....
13	91,400	196,600	124,400	91,100	....	42,700	49,100
14	....	170,900	76,600	91,400	188,000	125,300	48,900
15	159,000	113,900	52,900	....	173,400	190,600	57,600
16	158,400	127,900	30,000	148,300	172,700	45,700	118,700
17	258,600	87,300	190	132,700	144,000	....	119,700
18	263,000	....	....	245,000	71,400	77,700	107,200
19	129,100	110,500	150,500	217,200	11,300	6,100?	....
20	70,900	85,600	95,300	146,700	....	44,000	225,900
21	....	111,300	116,100	52,600	26,600	74,500	178,700
22	73,500	....	72,400	....	30,000	73,600	106,800
23	213,100	46,500	49,700	165,600	111,400	60,800	172,100
24	109,600	17,200	16,000	156,100	88,800	....	138,100?
25	119,100	....	....	104,500	89,400	178,000	70,300
26	124,100	67,600	84,500	160,900	22,400	178,500	....
27	96,700	61,900	132,100	249,700	....	178,000?	165,400
28	....	158,400	66,200	118,600	43,100	160,700	150,600
29	183,000	....	69,600z	....	21,200	124,100	151,600
30	195,700	....	52,000	132,000	....	52,700	142,500
31	293,000	....	26,000	....	32,000	....	57,300
MONTHLY SUMMARY.							
Shares sold	4,212,405	2,832,620	2,584,201	3,445,300	3,194,810	2,076,145	2,865,600
Shares transferred	873,166	134,383	259,623	783,972	79,270	195,352	121,098
Shares listed	....	....	....	....	....	....	....
Low price	103$\frac{7}{8}$	107	100	100$\frac{3}{4}$	96	95$\frac{1}{4}$	103$\frac{3}{4}$
High price	115$\frac{1}{2}$	118$\frac{1}{4}$	109$\frac{1}{2}$	115$\frac{3}{4}$	111$\frac{3}{8}$	110$\frac{5}{8}$	111$\frac{1}{4}$

Shares of common stock of Amalgamated Copper Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	September, 1906.	October, 1906.	December, 1906.	January, 1907.	March, 1907.	April, 1907.
1	42,300	72,000	18,000	....	88,250	136,320
2	....	84,000	....	38,900	20,400	121,900
3	....	31,700	78,300	99,700	....	38,010
4	78,100?	45,700	60,200	143,800	96,700	101,700
5	157,200	88,500	64,500	156,000	154,882	117,000
6	233,000?	52,600	48,500	....	199,950	80,300
7	119,900	....	38,100	138,200	90,300	....
8	46,200	100,700	13,500	124,700	145,200	101,4[illegible]
9	....	70,900	....	61,100	70,100	103,55[illegible]
10	106,000	80,100	53,100	63,200	....	114,100
11	91,200	61,200	90,100	87,500	84,150	90,700
12	77,800	44,000	78,500	50,800	60,020	84,300
13	140,800	28,400	81,100	....	216,760	54,100
14	113,100	....	96,000	87,500	260,825	....
15	43,200	43,400	33,500	62,900	2,147,065	89,950
16	....	69,400	....	184,700	103,700	70,060
17	216,400	130,600	61,600	173,800	....	77,800
18	125,500	208,600	86,600	206,700	125,260	24,650
19	141,100	177,100	116,000	92,900	192,700	22,450
20	58,000	90,200	48,600	....	111,170	12,100
21	106,500	....	40,700	132,100	60,050	....
22	30,600	136,000	30,200	92,700	79,200	66,610
23	....	100,200	....	56,200	72,221	67,610
24	107,100	55,200	59,600	50,100	....	54,000
25	169,900	113,800	....	74,700	192,500	30,100
26	160,400	86,700	54,100?	73,100	161,700	24,420
27	164,900	20,000	66,200	....	117,100	15,150
28	143,700	....	45,700	95,000	70,700	....
29	45,000	28,500	23,300	85,200	88,600	34,825
30	....	16,400	....	104,100	....	54,300
31	....	26,600	40,600	87,000	....	....
MONTHLY SUMMARY.						
Shares sold	2,611,795	2,091,275	1,437,450	2,601,990	3,103,878	1,912,120
Shares transferred	213,584	648,773	198,066	669,361	248,641	555,456
Shares listed	....	....	....	....	....	....
Low price	108⅝	109¼	110⅞	110⅝	78¼	86
High price	115½	117½	115½	121⅛	111½	99⅞

Shares of common stock of Union Pacific Railroad Co., sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	January, 1906.	February, 1906.	March, 1906.	April, 1906.	May, 1906.	August, 1906.	March, 1907.
1	...	226,000	127,300	...	209,100	156,400	98,360?
2	129,500	262,400	142,900	116,800	298,000	245,000	36,700
3	115,000	145,500	88,000	135,600	163,700	138,300	...
4	209,000	...	...	149,200	164,900	37,400	146,225
5	243,700	146,500	157,700	104,700	162,200	...	187,700
6	205,700	118,600	101,400	154,000	...	100,400	227,300
7	...	123,100	69,500	58,400	118,800	64,200	213,400
8	141,000	150,700	96,200	...	156,400	74,200	301,200
9	168,000	142,300	117,500	135,000	178,000	100,100	105,600
10	133,800	50,300	51,600	199,500	154,800	84,300	...
11	294,200	...	...	175,000	167,700	36,000	135,600
12	214,300	...	71,100	113,700	37,600	...	123,300
13	69,000	107,800	59,100	52,700	...	88,800	439,500
14	...	177,000	58,300	58,200	116,000	60,100	369,250
15	141,700	155,800	34,600	...	172,000	217,100	225,700
16	103,700	156,000	31,100	84,700	90,600	291,900	96,000
17	266,700	119,000	8,800	104,300	71,900	582,200	...
18	109,700	...	...	194,200	62,100	252,100	157,700
19	156,700	113,600	51,200	238,000	11,000	...	208,850
20	57,500	107,800	42,000	158,000	...	290,100	150,900
21	...	121,700	50,600	55,200	30,400	166,100	500?
22	120,100	...	48,800	...	30,500	182,700	106,600
23	199,300	128,300	76,100	153,200	68,700	118,500	105,100
24	384,700	87,200	20,400	193,400	56,000	233,100	...
25	224,100	...	...	142,700	81,200	149,300	15,500?
26	112,500	160,000	50,100	205,700	17,400	...	126,200
27	42,600	144,300	57,900	274,500	...	166,000	159,450
28	...	236,600	73,900	148,800	26,500	245,400	121,900
29	184,200	...	101,400	...	22,900	241,800	119,200
30	243,500	...	126,600	161,900	...	354,100?	...
31	184,900	...	82,600	...	50,000	180,700?	...
MONTHLY SUMMARY.							
Shares sold	4,560,365	3,238,631	2,019,451	3,579,954	2,613,840	4,881,650	4,203,735
Shares transferred	...	...	...	...	...	...	...
Shares listed	1,886,209	...	...	...	...	...	1,954,791
Low price	148	148⅜	149½	144¼	138½	153	120¼
High price	160¼	158⅝	157¼	159⅝	151⅞	191¾	171⅞

Shares of common stock of Union Pacific Railroad Co., sold each day of the 18 most active months from 1906 to 1912, inclusive.

Day of month.	April, 1907.	May, 1907.	May, 1908.	August, 1909.	August, 1911.	September, 1911.
1	143,000	123,400	121,700	....	21,950	38,950
2	125,200	25,770	71,900	57,600	74,950	....
3	124,900	181,900	....	73,200	71,200	....
4	155,250	73,800	115,690	71,000	112,800	....
5	184,100	....	76,800	28,400	90,900	50,800
6	635?	167,420	130,900	35,500	....	77,900
7	....	148,425	101,500	63,200	93,300	105,200
8	124,300	79,050	159,000	....	140,000	144,050
9	196,500	276,100	62,000	82,600	125,900	74,800
10	138,100	194,870	....	61,250	196,900	....
11	188,900	26,500	123,200	90,400	163,100	161,400
12	171,800	....	111,920	21,200	158,600	96,300?
13	138,000	132,900?	132,100	215,300	....	143,525
14	....	127,250	127,500	91,300	164,400	171,900
15	191,750	186,400	170,700	....	100,500	99,300
16	106,200	83,000	84,200	181,450	217,300	58,500
17	166,000	90,400	....	174,600	20,800	....
18	58,700	36,900	186,550	189,500	96,900	100,500
19	37,100	....	227,400	189,600	42,500	71,880
20	26,400	148,700	243,437	218,300	....	123,250
21	....	211,000	216,500	63,200	144,860	151,700
22	132,660	180,800	221,750	....	155,700	146,800
23	207,770	100,875?	187,100	131,655	75,260	57,800
24	198,350	117,000	....	107,800	148,450	....
25	137,800	31,300	206,200	200,700	122,500	277,400
26	119,900	....	184,700	243,900	49,600	179,200
27	44,700	150,650	178,100	238,800	....	279,500
28	....	118,900	121,735	122,400	95,400	242,400
29	188,740	112,500	74,320	....	84,282	125,100
30	216,010	....	....	184,400	91,100	43,400
31	....	81,150	....	68,100	53,600	....
MONTHLY SUMMARY.						
Shares sold	3,660,950	3,508,127	3,661,844	3,418,282	3,088,520	3,068,53
Shares transferred	....	....	....	....	....	....
Shares listed	1,954,799	....	1,954,899	....	....	....
Low price	132⅜	131⅞	134½	194½	165½	153½
High price	148¾	150⅛	151½	219	189¾	170⅝

Table showing shares of common stock of Union Pacific Railroad Co. sold on New York Stock Exchange, shares transferred on company's books, and listed on exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold. Shares transferred	4,560,365	3,238,631	2,019,451	3,579,954	2,613,840	1,974,795	1,789,759	4,881,650	2,930,950	2,851,760	2,896,175	2,643,600	35,980,930
Shares listed	1,886,209									1,954,791			
Low price	148	148¾	149⅛	144¼	138⅛	141¼	139¾	153	181¼	180¼	179¼	177½	
High price	160½	158⅝	157¼	159⅝	151⅞	153	152¾	191¾	195⅞	191½	190⅞	188½	
1907.													
Shares sold. Shares transferred	2,589,315	2,055,370	4,203,735	3,660,950	3,508,127	1,971,095	2,660,080	3,066,520	2,465,985	2,871,975	1,494,438	1,652,599	32,200,189
Shares listed	1,954,791			1,954,799						1,954,899			
Low price	168⅞	168¾	120¼	132⅞	131⅞	128⅜	135⅛	120¼	125¼	100	106¾	113⅛	
High price	183	177¼	171¼	148¾	150⅞	139½	148	144⅛	134⅛	129⅜	116¼	120¾	
1908.													
Shares sold. Shares transferred	1,865,408	1,530,318	2,983,630	2,135,560	3,661,844	2,568,770	2,401,105	2,691,195	2,840,340	2,957,888	3,218,786	2,567,540	31,422,384
Shares listed	1,954,899												
Low price	116¼	110⅞	110½	123⅜	134⅜	141⅞	145	154⅛	149⅜	158½	172½	174½	
High price	128¾	123⅜	129	138½	151½	150	155⅞	164¾	168⅞	173⅞	184⅞	184¾	
1909.													
Shares sold. Shares transferred	1,747,950	1,274,060	1,570,486	1,982,720	1,487,470	1,963,670	1,320,125	3,418,282	2,358,185	2,244,475	1,138,025	900,650	21,406,098
Shares listed	2,101,045												
Low price	175⅜	172½	173½	184⅜	186	187⅞	193	194½	193¼	197	199½	197⅜	
High price	184½	181¾	185½	189¼	190¾	195	201¾	219	210⅞	209¾	205	204½	
1910.													
Shares sold. Shares transferred	2,231,105	1,688,120	1,540,902	1,431,285	1,258,970	1,997,600	2,210,900	1,726,910	1,066,825	1,653,610	625,022	1,337,300	18,768,459
Shares listed													
Low price	183¼	178½	181⅞	177½	175¾	155⅛	152½	157¼	162½	166⅜	172	165¾	
High price	204¾	188⅜	193⅛	189⅜	186	178¾	163⅜	171½	167⅞	177	179	172	

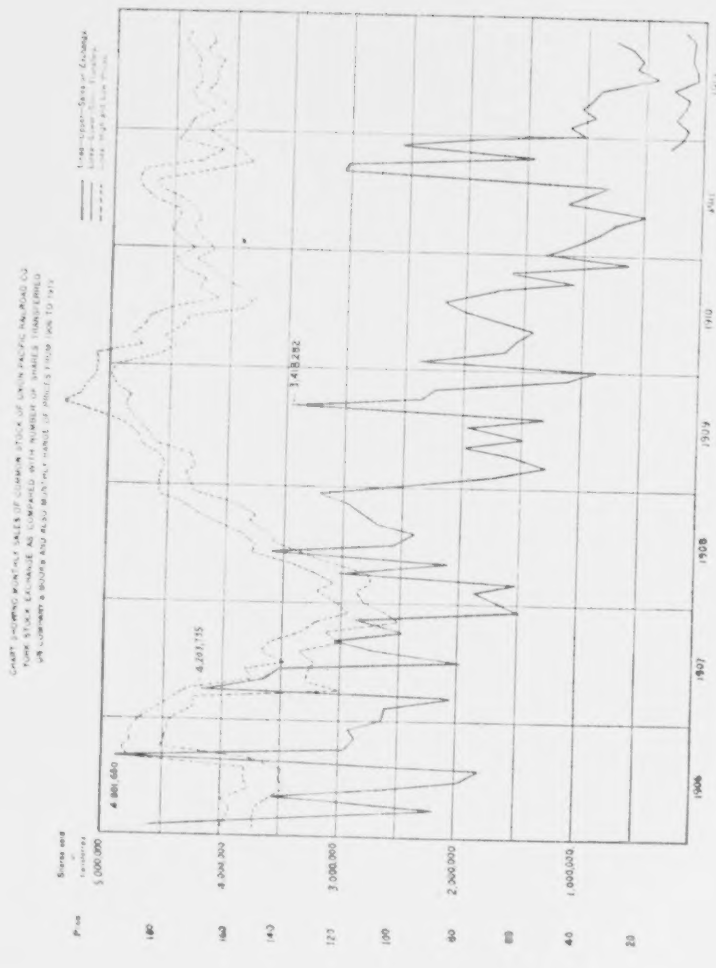
1911.													
Shares sold	1,078,075	912,050	742,370	489,010	1,180,625	983,900	795,770	3,088,520	3,068,[illegible]	1,451,450	2,065,670	1,020,210	14,876,180
Shares transferred													
Shares listed	2,165,797			2,165,797			2,166,298			2,166,452			
Low price	169¾	174¼	170¾	173¼	176⅝	183½	184⅞	165½	153½	158⅛	164¼	169⅜	
High price	178½	181½	178¼	177⅞	186	190½	192½	189¾	170⅝	164½	178⅝	175⅜	
1912.													
Shares sold	1,648,025	934,680	1,076,812	986,344	864,975	398,420	583,610	547,100	624,195	767,925			9,160,156
Shares transferred	130,491	226,321	169,491	100,799	255,254	78,218	71,521	91,122	96,261	89,407	171,954		1,470,839
Shares listed	2,166,452												
Low price	161¼	160	163¾	170½	166½	166¼	163¾	169⅞	167	167⅞			
High price	174¼	166¾	172¼	175½	173¼	171⅜	170¾	174½	176¾	175¾			

Ratio of shares sold to shares listed:

1906	18.91
1907	16.47
1908	16.07
1909	10.13
1910	8.93
1911	6.86
1912	4.23
Whole period	11.46

Ratio of shares transferred to shares sold:
1912 .... 0.160

Total shares sold for period 163,814,396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1911
1912

Table showing shares of common and preferred stock (voting trust certificates) of California Petroleum Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange for the month of October, 1912, and also range of prices each month.

COMMON.

Shares sold	362,270
Shares transferred—	92,275
Shares listed	105,729
Low price	[illegible]
High price	72½

PREFERRED.

Shares sold	38,875
Shares transferred	69,334
Shares listed	101,000
Low price	90½
High price	95½

Table showing shares of common stock of Mexican Petroleum Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month from April to October, 1912, and also range of prices each month.

	April.	May.	June.	July.	August.	September.	October.
Shares sold	205,550	207,480	41,000	24,600	119,370	202,400	255,[illegible]
Shares transferred	152,729	41,994	16,318	58,000	15,715	28,889	41,667
Shares listed	121,849			121,849			121,849
Low price	62¾	65¾	65¼	67	67½	77	82⅞
High price	72	73⅝	69¾	70⅞	79⅜	84⅜	90½

Shares of common stock of Columbus & Hocking Coal & Iron Co. sold each day of the 15 most active months from 1906 to 1912, inclusive.

Day of month	January, 1906.	February, 1906.	April, 1906.	November, 1906.	December, 1906.	Ma[illegible]
1	....	11,600	....	200	1,200	....
2	400	2,700	2,200	100	....	....
3	100	1,600	19,800	200	1,900	....
4	700	....	9,700	....	3,000	....
5	200	3,000	1,000	1,300	1,500	....
6	....	1,500	1,900	....	1,700	[illegible]
7	....	3,000	600	100	3,600	1,000
8	100	300	....	1,000	1,000	....
9	1,000	100	700	100	....	5,050
10	700	800	1,400	800	1,000	700
11	100	....	700	....	2,000	1,100
12	300	....	1,400	200	2,900	400
13	500	600	200	900	2,400	5,210
14	....	700	100	400	600	1,200
15	13,700	1,600	....	200	200	....
16	1,900	1,300	1,000	600	....	1,700
17	2,900	400	1,000	....	3,000	200
18	13,600	....	400	....	1,000?	[illegible]
19	4,000	2,400	700	9,300	4,500	900
20	1,300	1,700	1,500	5,500	1,800	2,100
21	....	2,200	600	12,300	400	3,200
22	1,500	....	....	4,800	1,000	....
23	1,600	200	1,400	35,900	....	3,400
24	1,500	300	900	8,000	800	2,600
25	700	....	200	....	....	1,300
26	13,600	900	2,600	17,300	700	1,210
27	60,000	400	700	5,800	300	700
28	....	400	800	1,800	400	600
29	16,200	....	....	....	200	....
30	5,300	....	1,100	3,300	....	900
31	9,200	....	....	....	100	100
MONTHLY SUMMARY.						
Shares sold	110,525	41,125	58,035	107,430	37,085	32,540
Shares transferred	11,459	8,161	40,154	24,810	7,755	7,[illegible]
Shares listed	89,256	....	....	....	....	....
Low price	17½	19⅞	18⅜	19½	25½	14⅞
High price	26¾	26⅞	26	30¼	29⅞	21

Shares of common stock of Columbus & Hocking Coal & Iron Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	December, 1908.	March, 1909.	April, 1909.	May, 1909.	June, 1909.	August, 1909.	January, 1910.
1	5,600	370	1,525	800	500	....	....
2	6,300	825	1,700	....	300	1,300	....
3	5,200	6,400	1,000	900	200	200	300?
4	11,400	2,425	....	700	500	1,200	1,100
5	3,900	2,500	5,400	2,300	100	2,200?	800
6	....	3,000	6,700	1,100	....	3,400	300
7	2,000	....	2,100	1,700	800	2,200	200
8	500	9,700	5,800?	700	400	....	300
9	5,250	3,050	....	....	400	4,500	....
10	2,900	6,000	....	1,100	8,550?	300	200
11	2,500	9,000	....	500	3,700	200	300
12	2,000	12,250	2,400	300?	400	900	100
13	....	4,500	2,000	200	....	900?	1,100
14	1,300	....	5,800	2,400	2,300	600	1,600
15	1,600	9,650	2,500	500	800	....	400
16	1,900	8,250	3,210	....	2,000	100	....
17	1,500	3,500	1,600	2,100	1,800	1,200	800
18	1,500	8,400	....	9,000	1,400	900	3,100
19	910	3,100	2,800	900	700	400	23,715?
20	....	1,900	4,900	1,400	....	500	13,400
21	600?	....	1,500	1,450	1,100	300	6,900
22	3,000	4,700?	1,000	1,000	300	....	4,100
23	700	7,200	2,800	....	200	100	....
24	200	9,700	4,700	2,700	300	600	2,600
25	....	6,585	....	800	300?	700	1,200
26	....	4,100	3,500	1,400	300	900	4,300
27	....	3,000	1,500	400	....	600	1,180
28	1,000	....	6,450	400	200	400	200
29	300	3,600	3,850	....	300	....	....
30	500	3,500	2,100	....	400	1,900	....
31	350	5,500	....	....	....	1,700	350
MONTHLY SUMMARY.							
Shares sold	62,375	143,490	75,345	25,5[illegible]	29,785	30,200	92,500
Shares transferred	12,623	28,046	27,066	8,454	4,401	4,675	21,591
Shares listed	69,256	69,304	....	....	....	....	69,896
Low price	24½	24	43½	62¼	62	64	12⅜
High price	27½	45½	64½	67½	67½	73¼	92½

Table showing shares of common stock of Columbus & Hocking Coal & Iron Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906													
Shares sold	110,525	41,125	9,050	58,035	18,500	15,580	8,200	12,691	5,600	19,020	107,430	37,085	442,841
Shares transferred	11,459	8,161		40,134	3,923	2,623	2,060	997	1,635	3,580	14,810	7,755	97,137
Shares listed	69,256												
Low price	17¼	19⅝	19	18⅛	17	18½	17½	18⅛	17⅛	17⅜	19⅛	25⅛	
High price	26⅝	26⅞	21	26	21¼	23	20	21¼	19⅝	21⅛	30¼	29⅝	
1907													
Shares sold	12,460	7,005	23,462	18,170	6,460	3,710	3,040	5,160	3,730	6,850	2,120	8,915	101,082
Shares transferred	4,565	6,525	6,231	3,462	1,646	500	570	585	980	900	1,890	3,020	30,874
Shares listed	69,256												
Low price	24½	22	20	25	21⅛	21½	24¾	19½	20⅝	15¼	15	14	
High price	28	25	25¾	28⅜	27½	25	25¼	24¼	24¼	22	19	19	
1908													
Shares sold	7,500	1,100	32,340	9,720	29,390	4,410	11,600	16,320	500	6,320	27,380	62,375	208,955
Shares transferred	1,155	1,689	7,369	2,245	3,549	765	1,297	5,351	1,705	1,064	3,069	12,623	41,881
Shares listed	69,256												
Low price	15⅛	15	14¼	17¼	17¾	20	20½	20⅜	20	19	19¾	24⅛	
High price	17¾	16½	21	19½	24	23	23¼	23⅛	21⅞	20¾	25	27½	
1909													
Shares sold	29,325	8,650	143,490	75,345	35,546	29,785	11,700	30,200	25,875	9,635	20,980	25,365	436,896
Shares transferred	10,151	4,611	28,046	27,066	8,454	4,401	3,065	4,675	5,313	3,136	4,142	17,217	120,277
Shares listed	69,304												
Low price	24¾	21⅜	24	43½	62½	62	62¾	64	72	78⅛	78⅞	86	
High price	28	25¼	45½	64⅛	65½	67¼	66⅜	73¼	81	81	88¼	91½	
1910													
Shares sold	92,500	8,650	3,960	2,455	2,225	820	800	1,050	2,150	9,830	200	100	125,640
Shares transferred	21,591	9,300	3,550	3,735	3,264	2,360	944	1,328	1,264	3,954	80	104	51,474
Shares listed	69,896												
Low price	12¾	13½	13⅜	7	6⅛	5⅛	4½	3½	3	4½	4½	4	
High price	92½	21⅞	18	13½	10	6	5⅛	6½	5	7	4½	5	

1911													
Shares sold	100	500	1,000										1,600
Shares transferred	200	20	80										300
Shares listed	69,908												
Low price	4	3	2										
High price	4	4½	2										

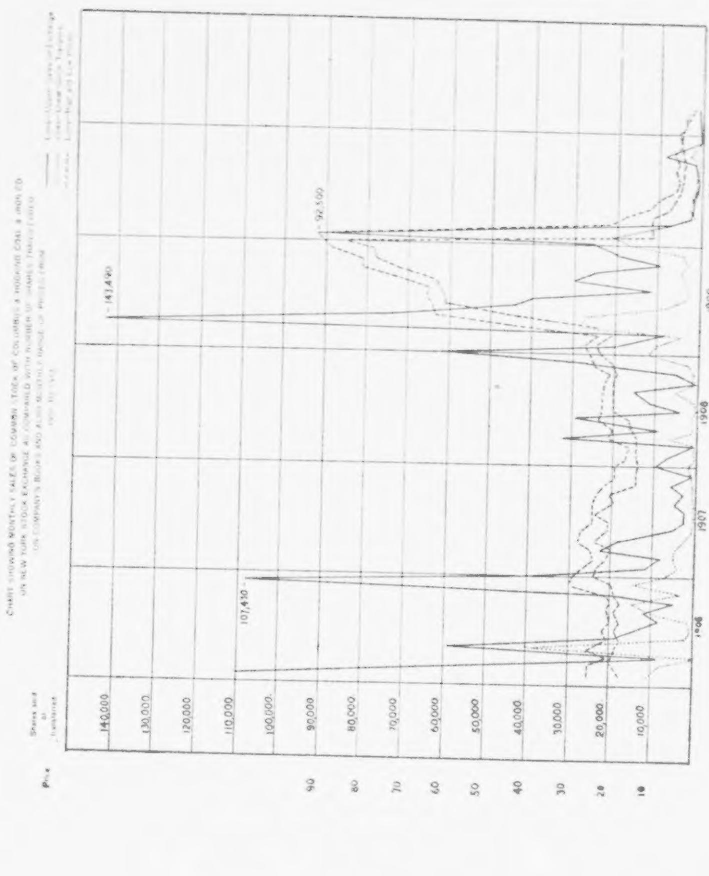
Ratio of shares transferred to shares sold:

1906	6.219
1907	.305
1908	.200
1909	.275
1910	.409
1911	.187
1912	
Whole period	.259

Ratio of shares sold to shares listed:

1906	6.39
1907	1.46
1908	3.00
1909	6.29
1910	1.80
1911	
Whole period	3.78

Total shares sold for period	1,317,014
Total shares transferred for period	341,943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1909
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1911

Table showing shares of common stock of Brooklyn Rapid Transit Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold	855,085	421,345	689,862	783,325	988,165	629,415	652,170	412,219	438,260	266,377	343,270	335,315	6,814,748
Shares transferred	21,236	93,172	69,510	56,761	65,072	46,032	32,377	45,200	39,129	36,579	48,463	29,615	583,146
Shares listed	450,000	450,000											
Low price	85½	78½	78⅝	72¼	72	73⅞	71	74½	75	76⅜	75⅞	77⅛	
High price	94¼	88½	88½	89⅞	84⅞	85½	78¼	81	82¼	80⅝	81⅝	83	
1907.													
Shares sold	848,795	97,030	327,838	354,645	102,350	131,130	177,980	228,344	141,164	330,290	129,213	272,083	3,140,862
Shares transferred	24,157	30,341	78,073	45,117	37,919	31,144	21,375	41,198	14,914	46,466	44,318	40,901	458,923
Shares listed													
Low price	71⅞	69	45¼	53	48	48	55¼	37¼	42⅜	29	26¾	32⅞	
High price	83⅜	75¾	70¼	63½	62⅛	56⅜	60¼	57¼	49⅞	48½	34¼	41¾	
1908.													
Shares sold	363,677	240,500	331,468	186,930	384,560	92,080	159,870	291,960	139,565	77,000	100	561,715	2,829,415
Shares transferred	34,250	57,353	51,710	40,752	40,945	23,799	33,957	39,098	35,568	16,158	27,823	68,048	469,461
Shares listed	450,000	450,000											
Low price	38⅜	37½	39¾	44½	45⅞	44⅞	47¼	50½	44	46½	48¼	54⅞	
High price	47½	46⅞	48	48⅞	54	50¼	53¼	57½	55¼	50⅜	56½	69¾	
1909.													
Shares sold	515,630	412,530	324,885	285,470	141,193	163,300	55,500	168,905	173,675	96,215	92,257	188,490	2,618,110
Shares transferred	45,683	227,516	211,859	98,153	103,537	107,807	17,619	46,267	88,973	35,115	56,086	143,342	1,182,857
Shares listed													
Low price	67	67⅞	70	74½	77¼	79¼	75	78	75½	74	74¼	77¾	
High price	72¼	72¾	76¼	79⅛	80¼	82⅞	79¼	81⅜	81⅞	81½	79	82⅞	
1910.													
Shares sold	146,512	119,022	176,520	313,390	290,489	206,340	158,555	80,450	71,664	120,570	69,120	45,956	1,804,582
Shares transferred	15,851	68,493	118,055	57,801	88,557	113,502	38,628	47,234	63,742	30,964	40,624	62,112	745,363
Shares listed	450,000												
Low price	78⅜	68¼	74¼	74¼	73¾	71	70½	73	73	76¼	75	73¼	
High price	80¼	77	79¼	82	82⅞	80¼	78⅝	77½	77½	79⅝	78⅞	76⅜	
1911.													
Shares sold	83,961	87,675	54,375	30,573	116,590	109,141	136,412	69,050	48,600	24,640	78,870	20,595	899,482
Shares transferred	15,513	50,741	72,407	16,607	52,865	76,899	36,692	45,638	60,014	19,722	25,990	45,061	518,149
Shares listed	450,000												
Low price	74⅞	75¼	73½	76⅜	78½	79⅜	80	74½	72	73¼	74⅞	75¼	
High price	78½	79⅛	78⅞	78⅞	81⅝	83	84⅝	81⅝	77	75⅛	79½	77⅞	

Table showing shares of common stock of Brooklyn Rapid Transit Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month—Continued.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1912.													
Shares sold	73,065	12,885	110,165	58,685	177,020	118,425	146,755	50,675	42,465	35,875	50,420	....	876,435
Shares transferred	16,036	14,453	57,751	25,641	42,481	78,685	31,236	25,249	59,545	18,428	19,097	....	338,692
Shares listed	450,000	....	....	....	....	....	....	....	....	....	....	....	....
Low price	76⅞	77¼	78⅞	82¼	81¾	86⅜	91	91¼	88¼	89	....	....	....
High price	79¼	78¾	84⅞	84⅞	90½	90¼	94½	93⅞	92	92½	....	....	....

Ratio of shares sold to shares listed:

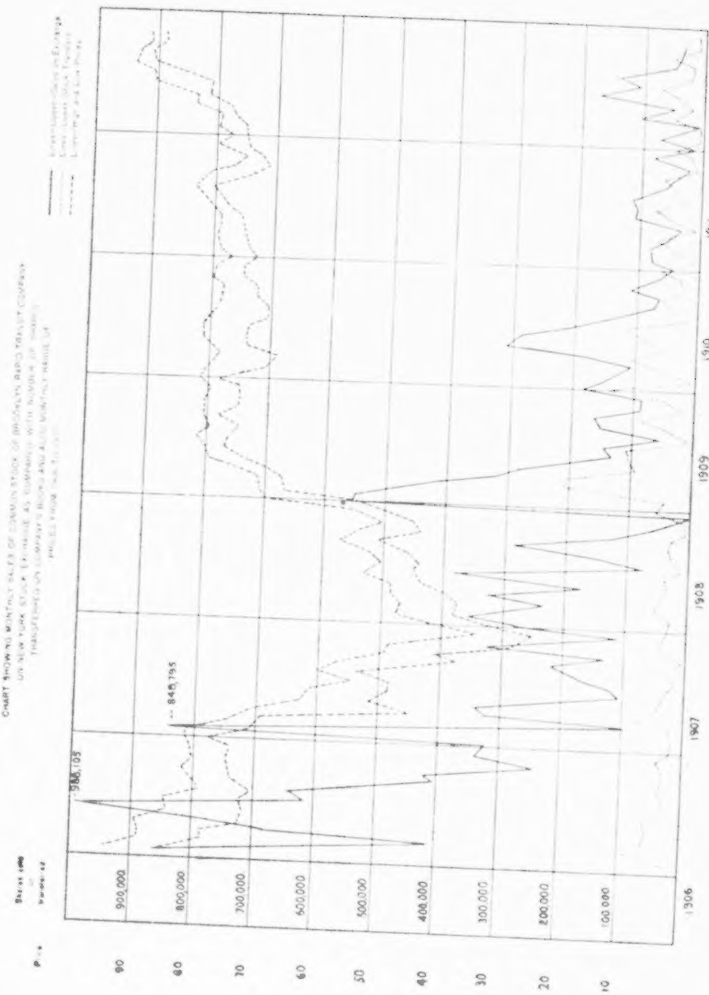
1906	15.14
1907	6.99
1908	6.29
1909	5.82
1910	4.01
1911	1.90
1912	1.94
Whole period	**6.01**

Ratio of shares transferred to shares sold:

1906	0.085
1907	.146
1908	.165
1909	.451
1910	.413
1911	.602
1912	.443
Whole period	**.229**

Total shares sold for period 18,944,634

Total shares transferred for period 4,346,501


988,105
848,795
900,000
800,000
700,000
600,000
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300,000
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100,000
90
80
70
60
50
40
30
20
10
1906
1907
1908
1909
1910
1911
1912

Shares of common stock of Brooklyn Rapid Transit Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	January, 1906.	March, 1906.	April, 1906.	May, 1906.	June, 1906.	July, 1906.	August, 1907.
1	....	19,500	....	73,000	6,400	....	6,065
2	10,000	21,000	19,000	80,800	6,200	26,000	510
3	11,800	5,300	41,700	34,000	....	31,100	1,100
4	9,000	....	21,400	55,000	35,800	....	....
5	6,600	28,000	22,400	33,500	29,400	28,200	4,700
6	4,400	18,200	29,600	....	13,800	34,200	10,[illegible]
7	....	11,000	10,200	56,400	35,100	9,400	14,[illegible]
8	18,700	10,100	....	64,500	11,300	....	12,[illegible]
9	14,900	57,100	27,900	58,400	5,400	23,400	5,900
10	10,700	20,000	25,400	44,900	....	15,900	6,000
11	16,400	....	34,200	49,600	9,800	12,400	....
12	17,500	41,000	29,100	19,100	15,000	32,000	9,100
13	7,900	55,500	33,200	....	45,200	20,900	15,185
14	....	47,300	10,000	50,200	29,800	9,100	11,150
15	74,500	35,700	....	40,700	28,200	....	10,830
16	36,000	17,800	17,200	52,000	11,000	21,900	10,[illegible]
17	14,400	3,900	13,200	40,700	....	9,800	6,700
18	9,700	....	46,400	27,100	26,700	30,300	....
19	39,200	32,500	38,500	5,300	33,000	11,500	15,010
20	10,400	15,700	30,100	....	17,000	27,500	21,028
21	....	17,500	6,100	11,000	27,700	19,100	6,320
22	16,700	6,000	....	23,300	19,000	....	8,125
23	50,100	7,100	38,400	58,100	29,400	48,700	2,050
24	69,000	4,200	48,700	21,200	....	55,300	1,050
25	105,000	....	26,800	24,900	30,800	34,000	....
26	51,200	14,800	39,800	6,300	31,400	21,000	2,100
27	32,700	26,000	54,400	....	31,000	39,000	[illegible]
28	....	45,700	25,000	13,700	30,000	8,200	4,310
29	69,400	18,000	....	13,500	27,700	....	8,000
30	43,000	59,200	40,100	....	8,800	....	18,170
31	19,900	17,100	....	14,700	....	19,300	....
MONTHLY SUMMARY.							
Shares sold	855,085	689,862	783,325	988,105	629,415	652,170	228,344
Shares transferred	21,236	69,510	56,761	65,072	46,032	32,377	41,198
Shares listed	450,000	....	....	....	....	....	....
Low price	85¼	78⅜	72¾	72	73¾	71	37½
High price	94⅞	88½	89⅝	84⅞	85½	78⅝	57½

Shares of common stock of Brooklyn Rapid Transit Co. sold each day of the 18 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	January, 1908.	May, 1908.	December, 1908.	January, 1909.	February, 1909.	March, 1909.
1		2,025	20,800		9,050	20,700
2	8,205	1,770	5,900	22,700	28,510	34,750
3	10,720		3,900		7,850	22,300
4	6,570	2,400	5,400	50,800	7,300	17,275
5		6,900	5,800	24,200	65,350	10,800
6	9,080	4,000		32,050	8,300	2,800
7	5,620	6,830	11,630	15,900		
8	6,625	14,900	2,300	21,420	15,[illegible]	4,800
9	25,050	6,200	21,300	22,700	3,200	7,020
10	22,000		31,080		4,000	9,850
11	9,400	44,350	24,600	18,900	7,500	6,100
12		30,925	11,200	40,[illegible]		7,600
13	12,300	9,720		23,725		1,850
14	14,025	24,[illegible]	11,450	24,050		
15	20,700	12,120	8,000	10,850	37,800	2,600
16	17,[illegible]	9,700	9,650	25,050	10,040	3,980
17	23,485		11,650		8,025	8,900
18	14,900	16,075	21,200	37,750	18,675	11,250
19		39,750	19,[illegible]	12,000	7,140	2,770
20	10,125	23,800		12,700	8,700	2,150
21	17,015	15,650	34,700	7,800		
22	14,[illegible]	12,925	49,250	3,900		3,300
23	[illegible],827	9,100	77,800	2,600	40,270	6,950
24	2,820		70,500		23,625	5,100
25	1,100	17,510		5,650	31,400	2,100
26		10,050		4,800	3,150	2,500
27	10,570	27,900		12,700	11,900	7,200
28	24,[illegible]	8,780	24,900	34,075		
29	27,220	4,800	23,570	21,045		38,800
30	13,010		19,545	14,600		48,825
31	8,625		9,640			37,750
MONTHLY SUMMARY.						
Shares sold	[illegible],677	784,5[illegible]0	561,715	715,[illegible]30	412,330	324,885
Shares transferred	34,25[illegible]	40,945	68,048	45,681	227,516	211,879
Shares listed	450,000					
Low price	38¾	45½	51½	67	67¼	70
High price	47½	54	69¾	72¾	72¾	76¼

Table showing shares of common stock of Rock Island Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold	193,631	220,690	108,260	116,120	67,960	80,780	68,650	273,834	89,300	363,350	512,150	166,698	2,261,423
Shares transferred	46,860	47,903	29,503	31,354	26,231	26,746	25,605	42,717	31,967	45,103	48,600	78,902	481,491
Shares listed	894,275												....
Low price	23¾	24¼	25¾	24¾	23½	23⅛	22½	25⅛	26¼	26¾	27⅛	28¾	....
High price	26⅛	28¼	28¼	28⅝	26½	26⅜	25¾	29⅛	28¼	30⅜	32⅜	32⅜	....
1907.													
Shares sold	212,430	116,918	211,685	69,480	46,915	92,115	53,475	59,885	29,600	90,757	38,850	31,156	1,053,266
Shares transferred	32,771	34,554	81,722	44,350	22,592	22,408	19,750	29,372	12,719	49,011	45,330	33,310	427,889
Shares listed	895,735			896,024			896,024			896,024			....
Low price	25⅛	23¼	17⅞	20¼	18¼	18¾	20⅞	17⅞	18¼	12½	11¼	13⅜	....
High price	30⅜	27⅜	24⅛	23½	22⅜	22¼	22½	21¾	21¼	19	14¼	16	....
1908.													
Shares sold	28,760	45,840	39,800	37,323	64,440	20,203	39,490	119,920	61,460	55,200	159,946	153,415	825,797
Shares transferred	10,943	29,509	18,928	14,158	40,628	20,872	16,115	41,578	28,750	25,979	28,346	37,412	313,218
Shares listed							897,337			897,337			....
Low price	13½	10½	11	13¾	15⅛	15⅜	15½	14¼	17	18¾	19¾	22	....
High price	15¼	13¾	15½	16¾	19½	18¼	18	19	20	20⅜	24⅛	25¼	....
1909.													
Shares sold	182,490	63,410	77,765	452,995	568,180	499,375	605,625	513,956	249,975	469,325	265,330	1,103,955	4,052,381
Shares transferred	35,194	27,835	28,191	64,602	161,802	124,125	96,622	125,453	77,758	72,549	49,211	303,946	1,167,289
Shares listed	898,222						899,214			899,648			....
Low price	23½	20⅞	22	24¼	28½	29	32⅛	37	36	35½	38¼	39½	....
High price	26⅜	25⅜	25⅛	29⅜	34	34½	39¾	42⅜	40½	41⅜	41¼	81	....
1910.													
Shares sold	712,727	533,106	347,570	270,085	223,630	269,400	359,550	251,371	99,850	233,750	178,999	89,151	3,569,189
Shares transferred	204,806	99,297	106,305	34,968	55,898	42,382	58,083	82,391	37,089	33,668	27,709	25,576	808,172
Shares listed	900,859			906,183			907,421			907,421			....
Low price	38⅜	39	44½	41¼	41	30¾	22½	27½	28⅞	30⅞	29⅞	28¾	....
High price	57¼	50⅞	51⅜	49¾	46	41½	33½	34	32¼	35⅜	34¼	31	....
1911.													
Shares sold	132,900	96,880	40,175	29,400	132,910	164,800	56,820	176,100	57,450	36,925	72,525	42,230	1,039,115
Shares transferred	20,491	23,968	27,313	8,940	28,290	48,821	24,065	67,445	30,124	20,673	15,522	15,851	331,473
Shares listed	907,421			908,189			908,742			908,742			....
Low price	29¾	29¼	28¾	27¾	29	32	30⅞	24⅛	22¾	23¼	25⅛	22⅞	....
High price	33⅛	33⅜	30⅛	29¾	33⅜	34⅞	33½	31½	25¾	25⅛	28¼	26⅛	....

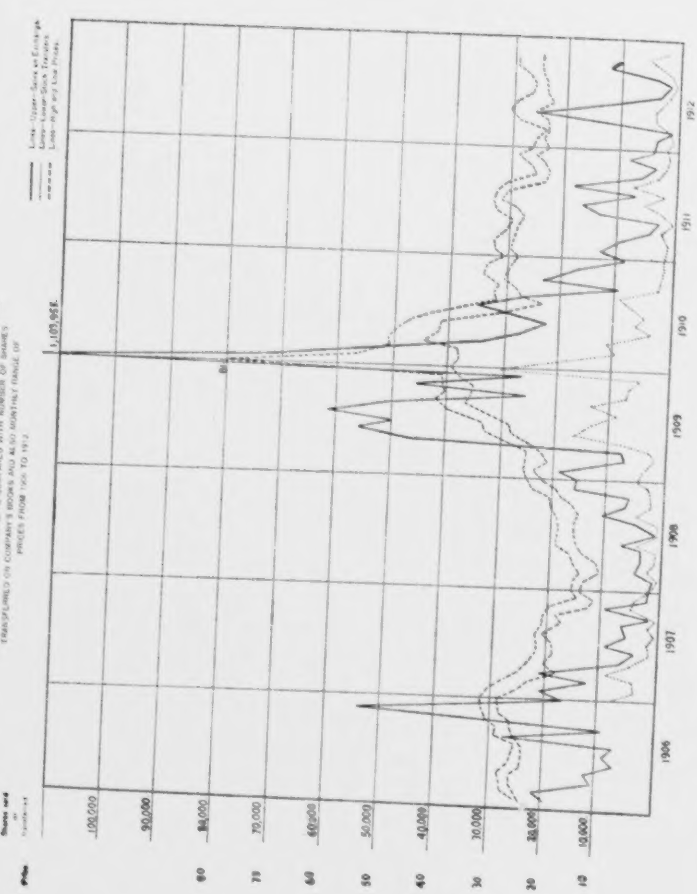
1912.													
Shares sold	37,010	12,100	137,000	249,950	116,955	33,505	16,850	32,350	124,060	100,755	31,630	....	892,165
Shares transferred	10,536	19,914	33,017	36,480	23,641	14,096	7,877	10,512	20,761	43,789	13,833	....	234,456
Shares listed	....	908,742	....	....	....	908,882	....	....	....	908,882	....	....	....
Low price	23⅛	22¾	22⅞	26¾	22½	23⅛	23¾	24½	25	24⅛	....	....	....
High price	25⅞	23⅞	28⅛	30½	29½	26⅞	25⅜	27⅞	29⅜	29⅞	....	....	....

Ratio of shares sold to shares listed:	
1906	2.53
1907	1.17
1908	.92
1909	4.50
1910	3.90
1911	1.14
1912	.98
Whole period	2.17

Ratio of shares transferred to shares sold:	
1906	0.035
1907	.406
1908	.379
1909	.288
1910	.223
1911	.319
1912	.263
Whole period	.275

Shares sold for period	13,693,336
Shares transferred for period	3,763,988

CHART SHOWING MONTHLY SALES OF COMMON STOCK OF THE ROCK ISLAND COMPANY ON NEW YORK STOCK EXCHANGE AS COMPARED WITH NUMBER OF SHARES TRANSFERRED ON COMPANY'S BOOKS AND ALSO MONTHLY RANGE OF PRICES FROM 1906 TO 1912



Shares of common stock of Rock Island Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	October, 1906.	November, 1906.	April, 1909.	May, 1909.	June, 1909.	July, 1909.	August, 1909.
1	21,200	3,000	4,500	2,300	15,200	14,400	....
2	81,600	11,300	1,900	....	7,100	11,300	11,800
3	90,400	3,500	1,300	8,500	46,300	....	11,700
4	18,000	....	....	13,900	36,000	....	6,900
5	9,300	10,400	800	10,500	15,200	....	12,100
6	3,800	....	27,250	11,000	....	11,700	20,900
7	....	9,900	6,200	17,500	54,300	41,400	19,600
8	31,100	7,200	9,200	25,700	27,600	22,600	....
9	9,600	4,200	....	....	18,800	10,900	31,400
10	4,900	800	....	44,100	9,100	2,050	36,500
11	5,300	....	....	23,200	6,800	....	22,100
12	3,100	2,500	15,500	106,800	2,800	4,000	30,100
13	6,000	13,400	6,700	86,400	....	12,300	21,500
14	....	6,900	4,200	55,800	7,700	6,800	10,700
15	10,900	92,500	7,200	9,900	14,400	3,000?	....
16	3,900	46,500	21,900	....	18,700	34,900	18,350
17	6,200	11,200	16,825	16,300	44,000?	17,700	26,500
18	6,500	....	....	16,000	14,600	....	13,800
19	9,600	17,100	55,200	19,800	3,000	36,500	43,450
20	8,700	41,400	34,200	11,700	....	65,300	22,300
21	....	61,000	32,900	5,800	17,600	43,200	9,800
22	7,200	29,800	31,000	2,700	9,900	25,550	....
23	4,200	19,400	28,800	....	11,100	44,600	18,500
24	1,000	12,500	26,850	8,400	9,400	26,700	11,700
25	1,600	....	....	12,500	6,900	....	21,550
26	1,700	8,900	48,200	18,200	7,700	28,200	31,100
27	100	10,200	25,300	9,400	....	22,600	19,100
28	....	36,500	25,500	16,700	9,300	35,700	8,100
29	900	....	13,250	....	45,000	12,300	....
30	3,100	26,000	5,600	....	19,400	23,200	12,900
31	3,100	....	....	....	....	13,800	10,921
MONTHLY SUMMARY.							
Shares sold	363,350	512,150	452,995	568,180	499,375	605,625	513,956
Shares transferred	....	....	64,602	161,802	124,126	96,622	125,453
Shares listed	894,275	....	....	....	....	899,214	....
Low price	26¾	27½	24¼	28¼	29	32¼	37
High price	30¾	32¼	29⅞	34	34¼	39¾	42⅞

Shares of common stock of Rock Island Co. sold each day of the 18 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	October, 1909.	December, 1909.	January, 1910.	February, 1910.	March, 1910.	July, 1910.
1	59,000	25,000	....	4,200	5,700	59,100
2	5,200	11,000	....	5,300	4,300	....
3	....	8,700	99,500	18,600	11,300	....
4	9,200	7,100	24,300	17,300	4,300	....
5	7,400	....	230,600	35,800	2,800	16,700
6	11,600	18,500	117,900	....	....	19,100
7	6,800	3,300	39,100	40,600	24,900	22,100?
8	12,200	3,200	11,300	23,400	15,500	13,900
9	3,456	23,200	....	23,100	23,800	4,150
10	....	28,400	14,600	40,800	35,100	....
11	12,000	39,100	21,000	47,500	16,800	15,100
12	....	....	19,100	....	7,400	8,200
13	9,000	92,300	15,200	....	....	7,400
14	16,900	26,800	25,900	37,600	6,100	6,900
15	73,400	28,000	13,000	17,700	18,100	3,900
16	45,000	21,600	....	27,700	13,500	1,300
17	....	16,500	23,600	52,300	15,900	....
18	25,800	24,800	28,800	39,200	15,300	12,800
19	52,900	....	34,800?	18,600	3,600	2,200
20	26,300	38,900	59,100	....	....	6,550
21	14,500	27,500	19,300	16,300?	5,600	7,800
22	17,900	40,200	3,400	....	3,600	4,400
23	7,200	148,600	....	18,800	12,600	2,300
24	....	5,300	16,000	7,200	7,200	....
25	12,800	....	18,100	3,800	....	12,800
26	8,100	....	7,200	2,500	....	39,000
27	12,200	217,563	10,500	....	....	30,500
28	5,100	97,700	6,400	10,300	9,700	23,400
29	20,300	25,800	2,400	....	12,400	27,000
30	32,450	35,400	....	....	16,100	3,800
31	....	66,000	8,800	....	12,300	....
MONTHLY SUMMARY.						
Shares sold	469,325	1,103,955	712,727	533,106	347,570	359,550
Shares transferred	72,549	303,946	204,806	99,297	106,305	58,083
Shares listed	899,648	....	900,859	....	....	907,421
Low price	$35\frac{1}{2}$	$39\frac{1}{2}$	$38\frac{5}{8}$	39	$44\frac{1}{4}$	$22\frac{7}{8}$
High price	$41\frac{5}{8}$	81	$57\frac{1}{4}$	$50\frac{7}{8}$	$51\frac{3}{4}$	$33\frac{5}{8}$

Table showing shares of common stock of Colorado Fuel & Iron Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1903 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1903.													
Shares sold	23,532	11,750	30,300	125,770	83,020	128,570	62,540	15,675	128,855	18,475	13,652	18,710	660,849
Shares transferred	9,988	4,817	9,289	13,850	9,235	8,116	90,564	2,340	6,655	4,660	8,365	....	167,879
Shares listed	239,310	....	....	239,310	....	....	239,310	....	....	239,320	....	....	....
Low price	73¼	73	63	64	61¼	59	40	40⅛	40	25	24	24½	....
High price	82½	76½	72⅝	66⅛	70⅞	69¾	65¼	54¼	51⅞	41	32½	33	....
1904.													
Shares sold	15,786	8,550	8,850	21,195	5,800	3,330	34,998	17,320	102,105	299,205	532,520	353,570	1,403,229
Shares transferred	....	7,842	1,908	5,235	2,301	1,730	7,266	5,585	47,748	57,702	72,236	35,041	244,594
Shares listed	239,320	....	....	....	....	....	....	....	....	....	....	....	....
Low price	27⅜	30	25½	28¼	28	28½	30½	35¼	31¾	34¾	40¼	37	....
High price	34½	33¼	31	33⅝	32¼	31	38½	37⅞	44	44⅞	58⅜	58	....
1905.													
Shares sold	150,328	304,675	571,138	392,176	206,002	90,170	120,987	86,280	112,610	141,254	147,116	552,380	2,875,116
Shares transferred	19,873	27,515	112,752	319,208	111,571	28,967	18,324	16,514	57,110	18,743	14,040	38,096	782,743
Shares listed	301,320	....	....	....	....	....	....	....	....	....	....	....	....
Low price	43	46	15½	42⅛	38	39⅞	43¼	44¼	41	43⅛	40⅞	44⅜	....
High price	48⅝	54	59	57¾	47¼	45⅝	48⅜	47¾	46¼	48⅜	49¼	58⅛	....
1906.													
Shares sold	1,160,745	586,175	648,860	370,840	388,130	577,750	399,100	539,970	199,710	177,915	179,538	300,220	5,528,953
Shares transferred	69,050	44,603	46,314	207,138	40,465	41,637	27,965	52,388	20,150	15,587	24,318	53,351	622,816
Shares listed	301,320	....	....	301,320	....	....	301,330	....	....	301,330	....	....	....
Low price	55¼	60	57	45½	40½	44¼	44½	51¼	52	50¼	49½	51¼	....
High price	83⅜	78¾	67⅝	67⅞	57¾	64⅜	55½	61½	59⅛	58⅛	57¾	58½	....
1907.													
Shares sold	258,875	121,165	231,450	96,215	58,225	31,565	39,255	59,300	29,760	46,750	24,310	215,170	1,212,040
Shares transferred	31,020	21,174	49,475	22,794	18,918	12,580	14,091	22,756	12,232	26,994	30,692	24,449	287,175
Shares listed	342,355	....	....	....	....	....	....	....	....	....	....	....	....
Low price	46½	42	29	33½	27½	28	30	22	17¼	14¼	14	17	....
High price	57⅞	50½	44⅞	38	37	32½	33¼	31	26½	20	17½	22	....
1908													
Shares sold	47,110	21,785	95,080	1,200	189,745	26,545	112,315	168,745	101,065	104,945	131,395	163,300	1,363,230
Shares transferred	16,681	16,147	17,741	23,154	39,182	20,910	30,246	36,738	39,961	14,954	32,462	27,310	315,486
Shares listed	342,355	....	....	....	....	....	....	....	....	....	....	....	....
Low price	19	15⅜	16	22⅞	24	25¾	26⅜	32	30¾	33¾	36¼	36½	....
High price	22½	20	24⅞	25⅜	31¼	29⅜	33⅞	38⅛	37⅞	37¾	40⅜	42	....

Table showing shares of common stock of Colorado Fuel & Iron Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month—Continued.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1909.													
Shares sold	225,885	72,980	56,900	99,185	114,100	177,515	128,900	103,460	80,635	67,450	266,565	112,075	1,505,650
Shares transferred	34,346	26,801	27,009	21,651	23,794	33,380	23,677	27,909	52,512	12,948	30,774	22,192	336,993
Shares listed	342,355												
Low price	38¾	29	31	35¼	38¼	40¼	43⅛	41¾	41¾	43½	47	48¾	
High price	45½	40⅞	36½	40⅞	42	45⅞	47¾	48⅞	47½	47	52⅜	53	
1910.													
Shares sold	111,384	46,220	31,110	22,700	17,125	17,990	17,190	16,820	4,950	22,500	23,350	11,090	342,429
Shares transferred	22,958	22,053	11,158	7,003	10,574	7,568	11,068	14,957	5,290	5,734	7,404	5,665	131,432
Shares listed	342,355												
Low price	36	32½	37¾	35¾	35⅝	30	22½	25¾	29¼	31¾	30⅞	29¾	
High price	50	40½	43¾	42½	39⅞	36¾	33	32¾	32	36¼	36⅜	32	
1911.													
Shares sold	18,875	17,520	8,800	400,120	18,100	9,120	7,950	11,400	5,300	2,700	4,900	4,900	509,685
Shares transferred	8,154	8,685	3,659	3,543	5,205	4,036	3,255	5,612	5,418	2,806	5,285	3,374	59,032
Shares listed	342,355												
Low price	31	33	31	28½	30	33⅞	33	27⅞	25	25⅛	26	25¼	
High price	36	36⅞	33¾	32¼	35	35⅞	36	33⅛	28¾	28	29	29	
1912.													
Shares sold	2,100	5,750	14,500	64,280	9,350	33,900	7,135	20,800	111,125	56,090	13,400		338,430
Shares transferred	6,131	2,425	5,904	4,732	5,562	5,385	14,285	6,015	66,672	5,603	5,676		128,390
Shares listed	342,355												
Low price	26	23⅛	24½	27¼	27	27	28⅜	30½	32¼	34⅛			
High price	27⅝	26¼	31¼	34¼	30½	33⅛	32⅛	34	43¾	43⅜			

Ratio of shares sold to shares listed:

1903	2.77
1904	5.86
1905	9.54
1906	18.35
1907	3.54
1908	3.98
1909	4.40
1910	1.00
1911	1.48
1912	.98
Whole period	5.02

Ratio of shares transferred to shares sold:

1903	.252
1904	.174
1905	.272
1906	.112
1907	.236
1908	.232
1909	.224
1910	.383
1911	.118
1912	.380
Whole period	.195

Total shares sold for period 15,739,611
Total shares transferred for period 3,076,540

Shares of common stock of Colorado Fuel & Iron Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	October, 1904.	November, 1904.	December, 1904.	February, 1905.	March, 1905.	April, 1905.	December, 1905.
1	....	16,800	15,600	8,700	9,300	6,000	5,100
2	....	18,000	11,500	3,700	10,400	....	1,900
3	750	33,700	3,400	1,900	6,000	17,700	....
4	2,885	36,500	....	3,300	2,600	25,700	4,300
5	950	6,900	13,200	4,200	....	5,500	9,200
6	700	....	14,900	....	4,800	7,300	7,100
7	700	14,500	38,000	36,000	2,800	4,900	5,200
8	250	....	49,800	13,800	5,400	3,600	4,300
9	....	16,800	18,300	3,000	6,600	....	1,700
10	5,400	18,900	6,300	20,000	20,300	6,600	....
11	2,620	28,500	....	50,700	7,900	10,300	7,200
12	3,120	10,300	32,300	....	....	19,100	72,500
13	1,900	....	16,100	....	34,600	13,900	66,000
14	4,760	22,900	13,300	32,200	17,700	13,900	20,200
15	5,600	10,900	8,800	15,300	27,100	2,300	14,500
16	....	13,400	10,200	10,400	23,800	....	21,700
17	8,525	26,700	7,800	11,800	16,600	19,300	....
18	5,200	14,500	....	5,500	6,100	51,300	60,700
19	16,975	3,300	8,000	....	....	21,800	55,000
20	18,550	....	1,600	14,400	14,400	29,600	19,900
21	22,600	8,900	7,000	19,700	30,800	....	15,300
22	8,200	45,200	4,300	....	25,500	....	23,500
23	....	19,500	2,700	42,600	112,300	....	3,500
24	22,600	....	....	7,500	76,400	32,200	....
25	47,485	40,000	....	3,100	7,600	12,200	....
26	27,150	20,600	....	....	....	8,100	31,100
27	14,310	....	2,000	10,400	19,500	14,300	16,700
28	10,200	73,200	20,500	17,200	18,500	27,400	19,600
29	32,200	49,200	13,000	....	11,700	9,800	10,000
30	....	15,300	13,000	....	13,700	....	....
31	22,300	....	....	....	17,600	....	....
MONTHLY SUMMARY.							
Shares sold	299,205	532,520	353,570	304,675	571,138	392,176	552,380
Shares transferred	57,702	72,236	35,041	27,515	112,752	319,208	38,096
Shares listed	239,320	....	....	....	....	....	....
Low price	34¾	40¼	37	46	15⅛	42½	44⅜
High price	44⅞	58⅞	58	54	59	57¾	58⅛

Shares of common stock of Colorado Fuel & Iron Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	January, 1906.	February, 1906.	March, 1906.	June, 1906.	July, 1906.	August, 1906.
1	....	61,400	26,000	23,100	....	25,700
2	6,700	34,300	10,700	17,400	22,600	14,100
3	3,300	34,000	9,700	....	9,200	11,200
4	18,300	....	....	33,700	....	12,700
5	11,700	26,700	35,000	37,400	15,800	....
6	5,700	24,100	21,300	26,800	23,500	9,600
7	....	10,500	38,000	18,700	14,700	14,400
8	30,200	27,000	60,700	19,000	....	9,300
9	21,300	11,200	34,800	14,200	16,200	12,100
10	9,400	3,700	14,200	....	6,500	4,200
11	13,300	....	....	17,100	35,500	2,600
12	34,300	....	13,100	16,000	24,800	....
13	10,400	9,200	15,500	8,100	9,800	15,700
14	....	11,600	10,500	26,000	4,400	13,300
15	52,700	33,000?	6,500	20,200	....	10,400
16	61,800	37,700	10,800	5,700	12,500	9,500
17	104,100	20,800	900	....	6,600	21,100
18	70,600	....	....	17,300	6,400	13,000
19	17,200	29,500	18,400	13,500	5,900	....
20	15,000	30,500	13,200	12,100	12,100	316,200
21	....	29,200?	24,900	32,600	4,900	86,500
22	13,400	....	17,200	20,500	....	51,200
23	122,800	15,600	28,100	10,100	13,000	27,800
24	76,300	3,900	2,900	....	12,100	13,100
25	57,700	....	....	32,900	5,500	2,700
26	48,400	8,400	13,000	31,400	36,200	....
27	26,800	41,700	30,800	24,400	32,500	16,000
28	....	4,200	60,300	21,000	11,500	28,300
29	46,100	....	56,600	18,000	....	16,900
30	59,900	....	23,400	4,200	....	13,100
31	58,000	....	8,800	....	19,800	3,800
MONTHLY SUMMARY.						
Shares sold	1,160,745	586,175	648,860	577,750	399,100	539,970
Shares transferred	69,050	44,603	46,314	41,637	27,965	52,388
Shares listed	301,320	....	....	....	301,330	....
Low price	55¼	60	57	44¼	44½	51¼
High price	83⅝	78¾	67⅝	64⅝	55⅛	61⅛

Table showing shares of common stock of American Smelting & Refining Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold	797,100	826,510	785,825	740,975	1,187,560	679,560	619,000	744,550	540,200	699,860	365,200	313,100	8,299,440
Shares transferred	27,000	61,000	203,000	51,000	84,000	212,000	37,000	45,000	203,000	60,000	54,000	102,000	1,139,000
Shares listed [1]	500,000												
Low price	161½	153⅞	150¼	144¾	138½	140⅜	141	151	150	152⅜	151⅛	147	....
High price	174	169	162½	163½	157⅝	159¾	153¼	165¾	158¼	161⅝	157¾	155½	....
1907.													
Shares sold	358,250	398,152	1,130,170	1,211,440	827,850	426,960	310,710	751,610	861,210	1,187,965	726,575	708,210	8,899,102
Shares transferred	95,000	43,000	149,000	71,000	67,000	156,000	56,000	44,000	203,000	84,000	85,000	195,000	1,248,000
Shares listed	500,000												
Low price	141⅝	138¼	104½	119¼	111¾	112⅞	112½	90	84½	61¼	58¼	66⅝	....
High price	155	146⅞	140¼	138¼	136¾	120¼	122¼	113⅞	103⅜	89⅛	73	79½	....
1908.													
Shares sold	1,368,421	779,390	862,158	595,695	1,024,110	328,280	730,000	1,418,150	939,810	512,140	621,680	1,387,390	10,567,524
Shares transferred	172,000	90,000	244,000	69,000	96,000	190,000	47,000	96,000	279,000	64,000	69,000	283,000	1,699,000
Shares listed	500,000												
Low price	62⅝	55½	58	66	69¼	73	76	88⅝	79	83½	91¾	76¾	....
High price	79½	68¼	74⅝	72¾	78⅝	77½	90¼	107	99¼	94¾	98⅞	94½	....
1909.													
Shares sold	774,925	420,435	386,410	476,425	301,675	324,095	300,185	723,850	321,545	312,600	529,945	372,280	5,244,370
Shares transferred	73,000	52,000	192,000	50,000	54,000	188,000	37,000	81,000	241,000	42,000	70,000	310,000	1,390,000
Shares listed				[1] 500,000			500,000			500,000			
Low price	80⅝	77¾	80¾	86	89¾	87⅞	91⅜	96¾	94⅝	93½	95⅝	96⅛	....
High price	89⅝	88⅝	89	91⅛	95½	97½	98⅞	104⅞	101½	101⅛	105½	105	....
1910.													
Shares sold	563,295	551,055	510,130	541,495	453,155	319,650	321,620	338,080	166,270	491,865	342,490	281,415	4,880,520
Shares transferred	74,000	116,000	204,000	66,000	54,000	141,000	49,000	59,000	101,000	81,000	63,000	141,000	1,149,000
Shares listed	500,000												
Low price	88¾	75¼	78⅝	76½	72¾	68	61⅝	62¼	64	67	75¾	70⅞	....
High price	104	91⅞	90	86¼	81⅞	78⅝	71⅜	70¼	68½	82⅜	83⅜	76⅝	....
1911.													
Shares sold	201,500	158,134	88,950	60,650	159,500	235,675	75,330	245,995	536,285	326,285	421,360	128,350	2,638,014
Shares transferred	46,000	44,000	48,000	71,000	38,000	118,000	23,000	55,000	143,000	45,000	34,000	45,000	710,000
Shares listed	500,000												
Low price	72¾	75½	73⅜	70⅝	74	78⅜	78⅝	67¾	56⅝	59⅜	61⅞	68⅝	....
High price	79½	81⅛	77⅝	75⅜	81⅜	83⅞	80⅜	79⅛	71½	67⅞	74⅞	75½	....

[1] Listed on New York Stock Exchange official list Feb. 10, 1909, prior to which date stock was traded on the unlisted department of the same exchange. Shares outstanding were 500,000 during this period.

Table showing shares of common stock of American Smelting & Refining Co. sold on New York Stock Exchange, shares transferred on company's books, and listed on exchange each month, 1906 to 1912, and also range of prices each month—Continued.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1912.													
Shares sold	97,065	93,425	448,060	275,650	313,410	121,660	101,900	129,700	179,850	182,640	140,250		2,083,61[illegible]
Shares transferred	13,000	48,000	41,000	39,000	114,000	44,000	23,000	96,000	17,000	36,000	110,000		581,00[illegible]
Shares listed	500,000									500,000			[illegible]
Low price	68⅝	67⅞	72¼	83⅝	81½	81⅝	80⅜	83⅝	83¾	81			
High price	74½	72⅞	89⅝	88⅜	88¼	87⅛	87	88⅜	91	90⅛			

Ratio of shares sold to shares listed:

1906	16.60
1907	17.78
1908	21.14
1909	10.49
1910	9.77
1911	5.28
1912	4.17
Whole period	12.18

Ratio of shares transferred to shares sold:

1906	0.137
1907	.140
1908	.160
1909	.265
1910	.235
1911	.269
1912	.279
Whole period	.186

Total shares sold for period	42,612,580
Total shares transferred for period	7,916,000

Shares of common stock of American Smelting & Refining Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	January, 1906.	February, 1906.	May, 1906.	March, 1907.	April, 1907.	May, 1907.	September, 1907.
1	....	61,600	64,000	50,100	61,100	54,800	
2	9,900	10,900	149,000	9,200	58,900	20,100	....
3	14,000	17,200	77,500	....	31,700	34,800	37,000
4	28,000	....	55,800	52,400	40,400	8,800	41,600
5	20,300	18,200	20,700	54,650	43,600	....	41,200
6	10,300	8,500	....	60,100	31,400	9,700	34,400
7	....	13,600	50,000	21,300	....	39,250	11,800
8	19,000	44,300	83,000	33,000	63,700?	15,000	....
9	9,500	21,300	105,700	16,400	98,550	27,200	16,600
10	10,900	2,100	49,700	....	64,600	21,900	49,100
11	10,800	....	33,300	19,200	96,100	25,170	44,200
12	1.,200	....	15,600	9,900	47,250	....	85,500
13	9,300	32,800	....	58,600	31,300	22,900	80,400
14	....	41,600	82,400	66,900	....	14,900	29,200
15	56,800	43,800	91,600	34,800	86,000	21,000	....
16	35,000	88,000	60,600	13,400	54,700	12,200	54,600
17	89,000	83,400?	36,200	....	70,100	8 100	42,850
18	52,300	....	25,000	32,400	27,550	9,400	36,150
19	43,800	44,500	3,400	54,245	26,000	....	56,100
20	9,300	20,800	....	81,100	9,100	40,200	44,900
21	....	91,200	12,200	59,700	....	101,600	7,700
22	36,700	....	15,300	71,120	73,500	79,800?	....
23	21,100	27,700	34,400	18,000	53,000	37,850	42,200
24	28,800	7,700	16,500	....	35,800	31,600	29,700
25	29,800	....	17,700	78,400	26,100	7,500	18,550
26	12,600	15,700	3,200	60,800	15,000	....	26,900
27	8,900	25,500	....	42,300	7,500	48,000	57,400
28	....	103,700	7,300	31,130	....	47,100	24,300
29	26,500	....	9,800?	56,000	15,100	24,200	....
30	70,000	....	....	....	39,510	....	41,500
31	38,400	....	2,400	....	....	19,300	....
MONTHLY SUMMARY.							
Shares sold	797,100	826,510	1,187,560	1,130,170	1,211,440	827,850	861,210
Shares transferred	27,000	61,000	84,000	149,000	71,000	67,000	203,000
Shares listed	500,000	....	....	....	....	....	....
Low price	161½	153⅞	138¼	104½	119½	111⅝	84¼
High price	174	169	157⅞	140½	138½	136⅞	103⅜

Shares of common stock of American Smelting & Refining Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	October, 1907.	January, 1908.	May, 1908.	August, 1908	September, 1908.	December, 1908.
1	38,200	....	31,100	13,000	23,000	24,100
2	36,300	18,300	14,400	....	42,500	29,900
3	45,310	13,900	....	19,810	89,600	24,800
4	16,000	7,400	31,250	31,160	44,400	16,850
5	7,800	....	21,900	46,550	....	41,300
6	....	26,050	47,800	63,000	....	....
7	29,300	34,750	37,950	128,528	....	57,400
8	24,625	22,400	21,500	34,650	31,800	21,400
9	43,900	37,850	10,200	....	29,400	24,300
10	45,600	68,150	....	60,400	23,400	18,000
11	97,000	22,032	37,900	57,200	28,400	40,400
12	42,100	....	36,440	52,200	15,100	61,400
13	....	58,025	26,700	32,100	....	....
14	67,000	79,525	38,500	69,300	31,700	89,100
15	45,100	82,550	36,100	50,000	28,800	89,900
16	106,900	130,000	28,900	....	55,470	44,300
17	71,100	60,000	....	66,000	66,440	91,000
18	106,000	57,100	31,000	89,300	53.200	184,170
19	30,300	....	26,300	45,300	26,700	57,100
20	....	138,900	134,500	56,300	....	....
21	76,050	115,000	104,300	64,000	70,900	76,450
22	75,150	42,850	57,700	167,700	61,780	90,000
23	34,200	51,900	26,800	....	30,400	69,300
24	36,450	38,700	....	33,600	38,000	27,400
25	13,600	21,900	29,450	87,800	28,100	....
26	8,100	....	25,610	21,630	16,700	....
27	....	61,450	57,800	23,500	....	....
28	17,100	47,100	48,400	41,000	25,400	34,800
29	20,800	17,125	15,770	8,300	17,855	40,700
30	9,500	20,600	....	....	16,400	44,900
31	19,200	19,600	....	25,820	....	20,500
MONTHLY SUMMARY.						
Shares sold	1,187,965	1,368,421	1,024,110	1,418,150	939,810	1,387,390
Shares transferred	84,000	172,000	96,000	96,000	279,000	283,000
Shares listed	500,000	....	....	....	....	....
Low price	61¼	62⅜	69¼	88⅜	79	76⅜
High price	89⅜	79½	78⅞	107	99½	94¼

Table showing shares of common stock of Consolidated Gas Co., sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1906.													
Shares sold	57,348	202,975	353,875	420,506	72,782	100,550	54,175	48,841	19,025	24,100	6,445	16,322	1,316,944
Shares transferred	21,894	46,133	78,989	56,355	126,523	10,779	8,801	47,912	5,062	12,722	27,327	9,643	452,140
Shares listed	800,000												
Low price	168¼	156	142½	130⅜	132¼	137	132½	135	135½	137½	137	137½	
High price	181½	181	157¾	145	141	147½	141	142¾	141½	143½	140¾	141	
1907.													
Shares sold	8,150	13,534	44,152	21,683	35,355	8,600	6,898	19,802	12,195	38,050	11,555	14,010	233,984
Shares transferred	15,918	19,000	16,770	13,720	33,175	7,545	6,993	23,447	7,877	23,745	30,408	13,090	211,688
Shares listed	800,000												
Low price	133	133	110	123¼	111	113½	116¼	99½	96¼	74	80⅛	90	
High price	139	140	140¼	134¼	137½	121	122½	119	107	102½	96	98¾	
1908.													
Shares sold	15,580	6,676	40,216	47,996	70,931	15,995	102,960	91,560	335,413	108,097	338,562	257,757	1,431,743
Shares transferred	10,113	19,916	8,069	33,528	53,475	8,271	17,050	44,165	38,532	39,218	100,541	28,609	401,487
Shares listed	800,000			800,000			805,825			828,500			
Low price	96	97	96	112½	119	121½	124	134	136	139	142½	157¾	
High price	105¾	103	117½	123	129	126	141½	147⅜	154½	148¾	167½	167	
1909.													
Shares sold	339,219	89,830	8,540	48,875	121,375	64,645	26,550	177,110	78,750	47,600	185,806	265,718	1,434,018
Shares transferred	63,663	137,440	33,795	25,817	90,777	20,568	19,664	83,750	20,457	18,477	87,564	42,106	644,078
Shares listed	994,795			996,390			997,010			997,735			
Low price	117½	114¼	126½	138	136¾	137¾	139	141	142½	137	142⅛	147½	
High price	165½	127½	140	139¾	148½	145⅞	143	149½	148¾	146½	151½	162	
1910.													
Shares sold	324,880	120,255	79,213	77,750	97,820	262,053	180,360	89,163	76,980	156,130	44,525	67,650	1,585,779
Shares transferred	44,821	153,031	24,628	31,372	83,617	40,681	40,664	96,303	13,361	34,636	75,622	19,710	658,446
Shares listed	997,810			998,090			998,090			998,160			
Low price	140¼	139	140¼	133¼	139½	129	122½	123	128	132½	131	130	
High price	160⅞	147½	149¾	144⅞	142¾	141½	136	133¾	134⅞	138¾	138	137⅞	
1911.													
Shares sold	197,608	89,202	35,048	29,750	46,314	52,400	12,830	58,726	30,290	31,125	114,977	15,131	713,401
Shares transferred	46,349	86,434	16,399	13,380	81,151	27,687	10,276	54,033	16,898	12,764	65,328	14,107	444,806
Shares listed	998,160			998,160			998,165			998,165			
Low price	135¾	138⅞	139¼	140¾	143⅞	144⅞	144⅞	132½	128⅞	134	138	136½	
High price	143¾	145⅞	146½	145⅞	146⅞	148½	147	145½	136	139½	144½	139½	

Table showing shares of common stock of Consolidated Gas Co., sold on New York Stock Exchange, shares transferred on company's books, and shares listed on exchange each month, 1906 to 1912, and also range of prices each month—Continued.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1912.													
Shares sold	61,109	14,350	95,435	42,600	49,884	17,597	66,200	69,300	32,235	48,275	15,400	....	512,385
Shares transferred	20,668	43,071	23,906	22,389	59,152	11,382	16,497	61,765	10,022	13,223	43,693	....	325,768
Shares listed	....	997,384	....	....	....	....	....	....	....	....	....	....	....
Low price	138¾	138¼	139⅛	142⅝	139½	139⅝	142	144	143⅜	142	....	....	....
High price	143½	140½	146	145¾	145⅞	142¾	146⅞	149½	147⅞	148½	....	....	....

Ratio of shares sold to shares listed:

1906	1.72
1907	2.92
1908	1.77
1909	1.54
1910	1.60
1911	.72
1912	.51
Whole period	**1.16**

Ratio of shares transferred to shares sold:

1906	0.328
1907	.905
1908	.280
1909	.420
1910	.416
1911	.623
1912	.636
Whole period	**.420**

Total shares sold for period 7,388,254
Total shares transferred for period 3,138,413

Shares of common stock of Consolidated Gas Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	March, 1906.	April, 1906.	November, 1908.	December, 1908.	January, 1909.	December, 1909.	January, 1910.
1	13,100	....	....	30,600	....	8,000	....
2	19,600	35,700	5,645	19,000	3,100	8,000	....
3	1,900	54,600	....	8,700	....	18,100	6,500
4	....	28,000	3,800	13,800	52,575	17,700	6,700
5	14,500	11,900	9,752	3,500	93,780	....	8,000
6	8,100	6,900	4,265	....	57,900	5,275	6,800
7	5,600	5,500	500	14,970	12,250	7,500	11,200
8	9,500	....	....	3,375	9,200	2,000	2,900
9	5,300	2,700	5,880	7,000	3,200	6,700	....
10	9,100	6,400	2,700	3,600	....	9,300	6,300
11	....	6,300	1,700	12,400	7,670	500	5,300
12	23,700	18,800	1,850	13,100	4,600	....	10,300
13	17,300	18,400	18,700	....	1,500	4,100	10,450
14	19,100	4,800	11,300	6,750	2,900	1,500	19,900
15	38,300	....	....	6,171	300	600	9,300
16	35,100	4,400	15,850	4,300	1,100	12,100	....
17	8,500	23,100	7,500	13,000	....	3,300	17,350
18	....	10,400	6,100	8,875	2,600	14,100	17,600
19	24,500	13,100	21,900	10,250	860	....	23,800
20	14,500	10,800	33,510	....	1,300	38,150	10,400
21	13,200	1,900	4,300	26,100	450	34,135	15,000
22	4,200	....	....	8,350	1,200	13,600	8,000
23	6,900	4,300	16,025	4,300	....	8,900	....
24	1,800	4,100	28,350	4,600	....	3,600	14,800
25	....	28,100	17,320	....	3,089	....	24,900
26	11,200	51,000	....	....	46,850	....	11,600
27	6,200	18,300	41,100	....	14,295	9,700	15,900
28	1,700	4,500	34,750	9,840	9,975	5,300	6,400
29	20,700	....	....	3,800	2,600	11,000	6,300
30	6,800	13,000	25,200	4,000	1,900	9,100	....
31	6,700	....	....	10,760	....	22,300	12,450
MONTHLY SUMMARY.							
Shares sold	353,875	420,506	338,562	257,757	339,219	265,718	324,880
Shares transferred	78,989	56,355	100,541	28,609	63,663	42,106	44,821
Shares listed	800,000	....	828,500	....	994,795	....	997,810
Low price	152¼	130⅝	142½	157¾	117⅛	147¼	140⅜
High price	157⅞	145	167½	167	165¼	162	160⅞

Shares of common stock of Consolidated Gas Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	February, 1910.	June, 1910.	July, 1910.	October, 1910.	January, 1911.	February, 1906.
1	4,800	11,550	14,100	2,300	....	....
2	3,320	5,500	....	....	....	100
3	11,200	14,900	....	4,500	5,400	....
4	7,100	5,200	....	2,800	9,400	....
5	3,700	....	8,100	3,800	29,525	400
6	....	16,300	9,000	800	6,400	100
7	14,200	11,700	6,200	2,800	11,500	100
8	11,500	7,800	8,400	300	....	100
9	6,400	4,700	3,700	....	8,380	100
10	5,300	4,700	....	400	13,000	100
11	4,200	2,725	6,200	3,500	12,400	....
12	....	....	4,200	....	7,300	....
13	....	3,400	3,800	13,600	5,300	4,700
14	4,700	8,400	11,600	8,900	2,700	600
15	5,100	4,700	7,300	3,500	....	100
16	11,600	3,300	4,100	....	2,400	1,200
17	7,750	1,900	....	1,900	9,900	900
18	4,800	3,100	10,100	20,900	8,000	....
19	3,100	....	2,900	11,400	5,030	400
20	....	5,770	1,700	6,400	11,100	600
21	3,400	14,650	8,200	7,300	2,200	300
22	....	11,030	5,050	2,100	....	....
23	1,100	19,000	2,000	....	14,100	9,200
24	1,550	15,350	....	4,900	2,800	30,200
25	700	8,400	12,010	3,900	3,900	....
26	1,300	....	25,500	7,900	1,200	81,500
27	....	20,600	7,850	22,200	5,600	35,400
28	2,200	12,400	11,280	6,200	900	21,400
29	....	15,500	6,300	700	....	....
30	....	23,300	3,200	....	6,300	....
31	....	....	....	2,700	4,700	....
MONTHLY SUMMARY.						
Shares sold	120,255	262,053	180,360	165,130	197,608	202,975
Shares transferred	153,031	40,681	40,664	34,636	46,349	46,133
Shares listed	997,810	998,090	....	998,160	998,160	800,000
Low price	139	129	122½	132⅛	135¾	156
High price	147½	141⅛	136	138¾	143¾	181

Table showing shares of common stock of American Can Co. sold on New York Stock Exchange, shares transferred on company's books, and shares listed on Exchange each month, 1906 to 1912, and also range of prices each month.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
1907.													
Shares sold	....	....	7,510	10,492	4,215	3,037	33,640	2,185	2,185	6,200	2,000	5,750	77,214
Shares transferred	2,010	7,874	6,223	12,263	3,330	3,246	1,610	4,120	2,443	5,558	7,250	7,915	63,902
Shares listed	412,333												
Low price	....	....	5¼	5½	5½	5⅛	5¼	4½	4⅛	3	3⅛	3½	....
High price	....	....	7	7½	6¼	5⅝	5¾	5¼	4¾	4⅝	3¾	4½	....
1908.													
Shares sold	10,500	2,300	3,150	7,470	2,700	1,200	12,600	10,100	2,650	21,585	53,805	11,910	139,970
Shares transferred	8,775	15,438	7,316	7,405	4,978	5,202	6,775	5,888	3,490	9,088	37,301	12,692	124,348
Shares listed	412,333												
Low price	4½	4	4¼	4⅞	4⅞	4½	4¾	5¼	5¼	5¾	7	8½	....
High price	5½	5	5	5¼	5¼	5	6⅝	6⅞	6	7⅜	10¼	9⅝	....
1909.													
Shares sold	14,480	13,950	7,400	94,000	164,480	49,255	15,920	58,652	37,950	35,355	179,750	43,530	714,722
Shares transferred	7,308	22,296	4,981	37,942	83,363	26,059	12,561	19,017	14,431	19,404	52,259	22,507	322,128
Shares listed	412,333												
Low price	7⅝	7½	8	8⅛	10	11⅛	11	12⅛	12	11½	12	13	....
High price	9½	9⅝	8¾	12	[illegible]	13¾	12½	13⅜	13⅜	13⅜	15⅛	14⅞	....
1910.													
Shares sold	40,050	18,850	19,550	17,710	7,625	22,470	25,325	15,350	6,810	25,230	34,250	11,090	244,310
Shares transferred	4,916	31,914	12,574	11,996	14,300	9,543	24,617	14,306	5,808	12,055	13,970	8,930	164,929
Shares listed	412,333												
Low price	10¾	10	10¾	8¾	9¾	6⅞	7	7⅝	7¾	8¼	9⅛	8¼	....
High price	13⅛	11⅞	13	11½	10½	9⅝	8¾	9	8½	10⅛	10⅝	9⅝	....
1911.													
Shares sold	12,465	12,778	16,640	32,556	86,085	11,915	13,020	18,000	18,370	19,850	67,260	39,985	348,924
Shares transferred	6,077	10,285	9,791	5,479	32,523	13,040	5,850	8,899	7,828	10,476	23,834	13,521	147,603
Shares listed	412,333												
Low price	8⅞	9	9¼	9⅜	10¼	10⅜	10¼	9	9¼	9⅞	10	10⅜	....
High price	10⅝	10	10⅛	11	12½	12⅛	11¾	11¼	10¾	10¾	12⅝	12⅛	....
1912.													
Shares sold	81,125	9,410	423,185	797,920	577,530	243,510	148,500	255,450	305,770	388,875	196,360	....	3,427,635
Shares transferred	5,567	26,217	60,332	89,315	57,472	38,451	23,038	31,022	18,127	36,564	25,214	....	411,319
Shares listed	412,333												
Low price	11½	11½	11¾	20⅞	34½	32¼	33⅛	37¼	38⅝	38¾	....	....	....
High price	12⅞	12⅝	23½	39⅝	43	38¾	37⅝	42	45¾	47⅜	....	....	....

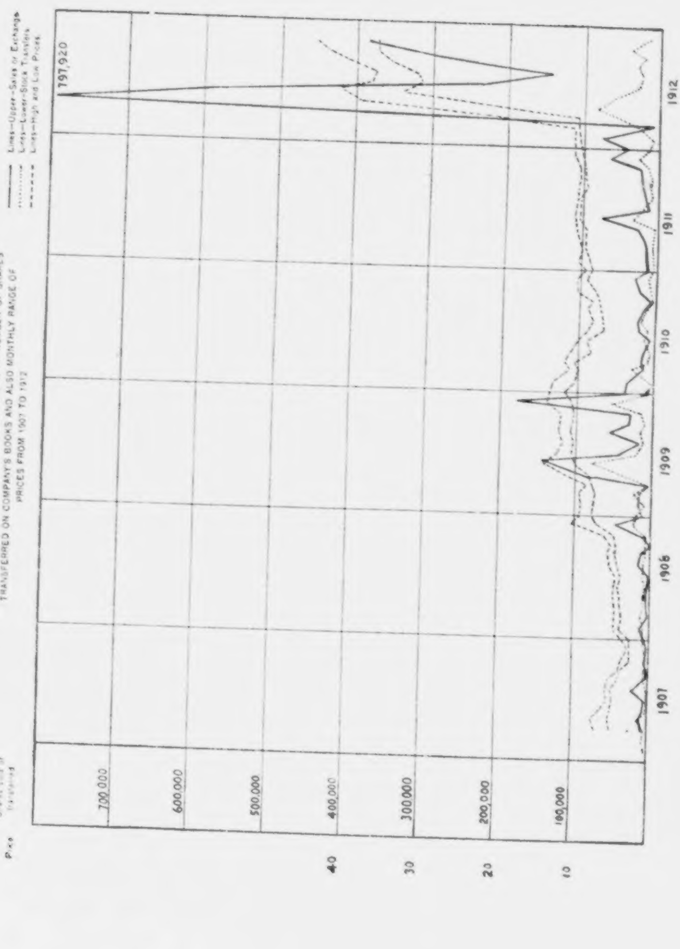
Stock listed Feb. 8, 1907.

Ratio of shares sold to shares listed:	
1907	0.19
1908	.34
1909	1.73
1910	.59
1911	.85
1912	8.31
Whole period	2.01

Ratio of shares transferred to shares sold:	
1907	0.827
1908	.888
1909	.450
1910	.675
1911	.423
1912	.120
Whole period	.249

Shares sold for period	4,952,775
Shares transferred for period	1,234,229

CHART SHOWING MONTHLY SALES OF COMMON STOCK OF AMERICAN CAN COMPANY ON NEW YORK STOCK EXCHANGE AS COMPARED WITH NUMBER OF SHARES TRANSFERRED ON COMPANY'S BOOKS AND ALSO MONTHLY RANGE OF PRICES FROM 1907 TO 1912



Shares of common stock of American Can Co. sold each day of the 13 most active months from 1906 to 1912, inclusive.

Day of month.	April, 1909.	May, 1909.	November, 1909.	May, 1911.	January, 1912.	March, 1912.	April, 1912.
1	1,700	600	200	2,530	....	200	7,800
2	1,200	....	....	1,500	11,600	3,000	17,000
3	....	1,600	300	2,700	6,350	....	19,500
4	....	1,100	4,900	1,300	15,500	1,000	27,500
5	....	500	2,300	600	9,000	8,100	....
6	1,200	2,000	300	500	500	3,400	....
7	500	8,600	....	....	....	1,800	....
8	700	4,100	9,500	28,050	300	2,000	52,515
9	....	....	21,100	14,600	3,450	16,100	53,800
10	....	25,500	8,900	2,100	225	....	23,200
11	....	24,600	35,900	2,400	100	16,690	40,900
12	2,800	27,510	12,900	1,300	800	5,300	62,400
13	400	10,350	2,700	100	100	10,000	30,300
14	1,600	9,685	....	....	....	20,600	....
15	4,100	2,600	5,100	900	200	19,500	102,600
16	3,000	....	4,700	3,100	1,000	5,500	60,400
17	400	1,750	1,400	6,400	1,700	....	22,400
18	....	5,410	31,200	1,325	400	24,300	9,600
19	700	6,670	9,800	1,000	2,000	13,000	8,400
20	7,900	11,800	4,600	300	9,900	26,500	14,400
21	11,650	2,400	....	....	....	20,100	....
22	21,200	2,100	7,500	9,800	3,800	14,865	30,000
23	12,450	....	1,400	3,200	9,800	16,800	13,900
24	3,200	1,900	1,100	1,400	1,150	....	37,150
25	....	2,350	....	200	400	74,800	66,200
26	8,700	5,995	2,200	1,400	1,000	46,525	24,200
27	3,800	1,250	1,000	200	900	15,750	6,000
28	2,250	1,700	....	....	....	22,000	....
29	1,000	....	1,100	....	500	2,280	12,610
30	3,200	....	3,200	....	200	5,800	12,600
31	....	....	....	500	3,600	....	....
MONTHLY SUMMARY.							
Shares sold	94,000	164,480	179,750	86,085	81,125	423,185	797,920
Shares transferred	37,942	83,363	52,259	32,523	5,567	60,332	89,315
Shares listed	412,333	....	....	....	412,333	....	....
Low price	8¼	10	12	10¼	11¼	11¾	20⅞
High price	12	14⅛	15⅛	12½	12⅝	23½	39⅞

Shares of common stock of American Can Co. sold each day of the 13 most active months from 1906 to 1912, inclusive—Continued.

Day of month.	May, 1912.	June 1912.	July, 1912.	August, 1912.	September, 1912.	October 1912.
1	28,500	....	10,400	13,200	....	13,200
2	46,000	....	5,800	36,300	....	27,700
3	33,800	8,415	2,300	8,800	4,100	7,100
4	13,800	13,000	....	....	3,500	13,900
5	....	16,200	2,800	20,700	2,000	7,800
6	40,200	18,050	1,700	12,700	1,050	....
7	41,000	4,400	....	9,100	800	20,520
8	23,600	4,600	6,500	16,700	....	8,200
9	15,550	....	8,800	5,600	6,400	12,500
10	28,300	4,800	8,000	7,000	7,500	36,700
11	24,400	21,200	15,400	....	7,700	53,000
12	....	7,800	18,500	21,700	5,100	....
13	12,100	2,800	3,300	15,600	4,600	....
14	15,400	7,750	....	6,700	1,300	22,900
15	26,100	7,600	6,300	7,800	....	10,000
16	56,800	....	8,300	4,600	20,000	4,100
17	16,700	7,800	5,500	7,100	22,600	2,500
18	4,600	2,900	2,200	....	13,800	4,700
19	....	12,700	5,700	20,200	63,100	900
20	5,600	33,800	2,400	5,700	42,100	....
21	4,300	16,300	....	2,300	8,000	10,300
22	12,900	2,200	2,200	14,500	....	6,900
23	42,900	....	700	2,400?	15,400	27,200
24	12,900	13,500	3,500	700	8,900	22,000
25	300	8,100	3,000	....	19,100	13,000
26	....	11,800	2,800	2,200	13,500	3,800
27	5,900	8,100	100	2,100	4,200	....
28	4,800	2,900	....	2,200	6,800	3,610
29	11,000	10,300	2,300	1,800	....	11,400
30	....	....	1,800	1,700	13,600	21,925
31	33,900	....	14,300	....	....	9,20C
MONTHLY SUMMARY.						
Shares sold	577,530	243,510	148,500	255,450	305,770	388,875
Shares transferred	57,472	38,451	23,038	31,022	18,127	36,564
Shares listed	412,333	....	....	....	....	....
Low price	34½	32¼	33¼	37¾	38⅞	38⅜
High price	43	38¾	37⅞	42	45⅜	47⅝

VIEWS OF THE MINORITY.

The undersigned members of the committee appointed under House resolutions No. 429 and No. 504, having as carefully considered the testimony taken in the investigation as the time and circumstances would permit, are of the opinion that the testimony has not disclosed the existence of any so-called Money Trust in this country. It has, however, disclosed a dangerous concentration of credit in New York City and to some extent in Boston and Chicago. Even many of those connected with this concentration of credit who came before the committee expressed the conviction that this concentration had gone far enough and should be checked. Mr. Reynolds, of the Continental and Commercial National Bank of Chicago, stated that in his opinion this concentration, having gone as far as it has, is a menace. Another witness, Mr. Baker, of the First National Bank of New York City, stated in effect that in the hands of bad men it would be dangerous and disastrous to the business interests of the country, and that, in his opinion, the present concentration has gone far enough.

Many abuses are disclosed by the evidence produced before the committee, a number of which are well known to the public and recognized by everybody at all familiar with the business conditions in this country. Abuses on the stock exchange, of quite long standing, were disclosed before the committee, as were also abuses existing in clearing-house associations, especially in New York City.

Evils existing in both stock exchanges and clearing-house associations could be corrected by the exchanges and associations themselves, if they were so inclined. They having failed and neglected to remedy the abuses existing in their conduct and operation, in our opinion it is the duty of each State in which these exchanges or associations are located to compel their incorporation and to regulate their management by appropriate legislation. Should the exchanges and the associations, as well as the various States, neglect this plain and imperative duty, then we believe that it is the duty of Congress to exercise any jurisdiction or power conferred upon the Federal Government by the Constitution to pass such restrictive and regulative legislation as may be necessary. This duty arises from the fact that these evils are not such as affect only the local communities in which they exist, but their results are as broad as the business interests of the country, and affect in their most intimate and important business relations all the people thereof.

While agreeing substantially with the majority upon many of the abuses to be corrected in the financial system, the stock exchanges and the clearing-house associations, the undersigned have doubts as to the wisdom of some of the remedies proposed by the majority to correct these abuses.

The evidence produced was quite voluminous and the hearings were not finally closed until very recently, and we have not had opportunity to carefully weigh this evidence and to consider what reme-

dies are necessary on the part of the Federal Government to correct the conditions which were shown to exist, and therefore we do not feel that we are prepared to fully approve the bills proposed by the majority of the committee. It has been demonstrated by past experience that regulation of the business and financial affairs of the country should be attempted with great care, and should be carried only far enough to remedy known existing evils, and not so far as to become destructive of any of the business interests of the country. We feel that before definitely recommending any remedial legislation, testimony should be taken covering more fully the effect of the various changes in the law that have been suggested.

As it is manifestly impossible that any of the proposed legislation can be considered by this Congress, it seems to us wise to leave the matter of recommending complete remedial legislation to those who will be charged with the responsibility of formulating and reporting such legislation to the Sixty-third Congress.

Everis A. Hayes.
Frank E. Guernsey.
William H. Heald.